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Remarks by Congressman Byrnes—*Congressional Record—February 4, 1965*

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##### Commissioner's Bulletins

No. 27, Senate Committee on Finance Acts on H.R. 6675—*June 25, 1965*

No. 28, Senate Passes Social Security Amendments of 1965—*July 10, 1965*

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##### AMENDMENTS TO THE RAILROAD RETIREMENT ACT I. Reported to and Passed House

- A. Committee on Interstate and Foreign Commerce Report  
House Report No. 379 (to accompany H.R. 3157)—*May 26, 1965*
- B. Committee Bill Reported to the House  
H.R. 3157 (reported with an amendment)—*May 26, 1965*
- C. House Debate—*Congressional Record—June 7, 1965*  
(House passed Committee-reported bill.)

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- A. Committee on Labor and Public Welfare Report  
Senate Report No. 645 (to accompany H.R. 3157)-*August 25, 1965*
- B. Committee Bill Reported to the Senate  
H.R. 3157 (reported with amendments)--*August 25, 1965*
- C. Senate Debate--*Congressional Record--August 31, September 1, 1965*  
(See floor amendments, *Congressional Record* pp. 21761—70.)
- D. Senate asks House Concurrence— *September 2, 1965*

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- A. Remarks by Congressman Harris—*Congressional Record— September 3, 1965*
- B. Committee on Interstate and Foreign Commerce Report  
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- C. Committee Bill Reported to the House  
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- D. House Debate—*Congressional Record--September 14, 1965*  
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- E. Senate Debate—*Congressional Record--September 14—15, 1965*  
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## IV. Public Law

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Commissioner's Bulletin No. 35, Amendments to the Railroad Retirement Act—*October 4, 1965*

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MESSAGE FROM THE SENATE

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 6675. An act to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the Old-Age, Survivors, and Disability Insurance System, to improve the Federal-State public assistance programs, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. BYRD of Virginia, Mr. LONG of Louisiana, Mr. SMATHERS, Mr. ANDERSON, Mr. WILLIAMS of Delaware, and Mr. CARLSON to be the conferees on the part of the Senate.

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the request of the gentleman from Arkansas?

The Chair hears none and appoints the following conferees: Messrs. MILLS, KING of California, BOGGS, KEOGH, BYRNES of Wisconsin, CURTIS, and UTT.

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AN ACT TO PROVIDE A HOSPITAL INSURANCE PROGRAM FOR THE AGED UNDER THE SOCIAL SECURITY ACT WITH A SUPPLEMENTARY HEALTH BENEFITS PROGRAM AND AN EXPANDED PROGRAM OF MEDICAL ASSISTANCE, TO INCREASE BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY SYSTEM, TO IMPROVE THE FEDERAL-STATE PUBLIC ASSISTANCE PROGRAMS, AND FOR OTHER PURPOSES

Mr. MILLS. Mr Speaker, I ask unanimous consent to take from the Speaker's table the bill H.R. 6675, an act to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference requested by the Senate.

The SPEAKER. Is there objection to

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MESSAGE FROM THE HOUSE

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes; that the House had agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MILLS, Mr. KING of California, Mr. BOGGS, Mr. KEOGH, Mr. BYRNES of Wisconsin, Mr. CURTIS, and Mr. UTT were appointed managers on the part of the House at the conference.

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BRIEF DESCRIPTION OF SENATE  
AMENDMENTS

TO

H.R. 6675

AN ACT, TO PROVIDE A HOSPITAL INSURANCE PROGRAM FOR THE AGED UNDER THE SOCIAL SECURITY ACT WITH A SUPPLEMENTARY HEALTH BENEFITS PROGRAM AND AN EXPANDED PROGRAM FOR MEDICAL ASSISTANCE, TO INCREASE BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, TO IMPROVE THE FEDERAL-STATE PUBLIC ASSISTANCE PROGRAMS, AND FOR OTHER PURPOSES



Printed for the use of the Senate Committee on Finance and the  
House Committee on Ways and Means

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WASHINGTON : 1965

## SENATE AMENDMENTS TO H.R. 6675

Bill page	Amendment number	Description
2	(1)	New table of contents.
BASIC HOSPITAL PLAN A		
12	(2)	Conforming with amendment No. 9.
12	(3)	Conforming with amendment No. 50.
12	(4)	Conforming with amendment No. 9.
13	(5)	Conforming with amendment No. 63.
15	(6)	Conforming with amendment No. 9.
15	(7)	Hartke floor amendment—removed durational limit on inpatient hospital days—House bill provided 60 days—see also amendment No. 25 relating to deductible and coinsurance.
15	(8)	Committee amendment—increased posthospital extended care days to 100—House bill provided 20 days with 2 additional days for each unused hospital day but a maximum of 100—see also amendment No. 31 relating to coinsurance.
15	(9)	Committee increased number of home health visits to 175 and Saltonstall floor amendment removed requirement of prior hospitalization—House bill provided 100 visits after 3 days of hospitalization.
16	(10)	Technical and conforming with amendments Nos. 7, 8, and 9.
16	(11)	Technical and conforming with amendment No. 7.
16	(12)	Conforming with amendment No. 8.
16	through (14) (15)	Committee amendment—included under A program inpatient psychiatric hospital services but imposed lifetime limit of 210 days—House bill included them in B program with 180-day lifetime limit.
16	(16)	McCarthy floor amendment removed psychiatric and tubercular exclusion on posthospital extended care in House bill but imposed 210-day limit for posthospital extended care treatment of mental disease with both days of inpatient psychiatric hospital services and extended care days for treatment of mental disease subject to the 210-day maximum. See amendment No. 158 deleting this exclusion.

**SENATE AMENDMENTS TO H.R. 6675—Continued**

Bill page	Amendment number	Description
17	(17)	Conforming with amendment No. 8 eliminating House unused hospital day—extended care increase mechanism.
18	(18)	Technical—relettering.
18	(19)	Conforming with amendment No. 9.
18	(20)	Technical—relettering.
18	(21)	Conforming amendments Nos. 7 and 15.
18	(22)	Conforming with amendment No. 9.
19	(23)	Technical—relettering.
19	(24)	Technical—editorial.
19	(25)	Committee amendment provided that deductible may be less than \$40 if actual charges are less (or customary charges if greater than actual charges). Committee-administration amendment—removed provision in A plan for crediting outpatient diagnostic deductible against hospital deductible if done in the same hospital within 20 days. Committee amendment provided that there be a coinsurance on hospital benefits equal to one-fourth of hospital deductible (\$10 initially) for each day in excess of 60 in a spell of illness. House bill provided outpatient hospital deductible of \$40 initially, and no days in excess of 60 and also for deduction from hospital deductible of outpatient diagnostic deductible.
20	(26)	Technical—editorial.
20	(27)	Conforming with amendment No. 28.
20	(28)	Committee-administration amendment put a 20-percent coinsurance on the outpatient hospital diagnostic service after deductible in the A program—House bill provided for full payment after deductible.
20	(29)	Technical—editorial.
20	(30)	Technical—editorial.
20	(31)	Committee amendment provided for coinsurance equal to one-eighth of the inpatient hospital deductible (initially \$5) for posthospital extended care days in excess of 20 days. House bill provided full payment for extended care days available. See amendment No. 8.
21	(32)	Committee amendment adjusted inpatient hospital deductible in future years so that the amount shall be rounded to nearest multiple of \$4. House bill provided for rounding to nearest multiple of \$5.
21	(33)	Conforming with amendment No. 32.
	through	
	(35)	
23	(36)	Conforming with amendment No. 37.

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
23	(37)	Committee amendment including same special conditions for psychiatric hospitalization which were included under B program in House bill.
23	(38)	Technical—relettering.
24	(39)	Technical—relettering.
24	(40)	Technical—relettering.
24	(41)	Conforming with amendment No. 9.
25	(42)	Conforming with amendment No. 9.
25	(43)	Technical—relettering.
25	(44)	Conforming with amendment No. 37.
25-26	(45)	Technical—renumbering.
	through	
	(47)	
27	(48)	Technical—relettering.
27	(49)	Technical—editorial.
27	(49a)	Technical—relettering.
28	(49b)	Technical—relettering.
29	(50)	Committee amendment to provide for emergency services in a hospital outside the United States when it is closer or substantially more accessible than facility in United States which was adequately equipped to deal with illness or injury. Individual has to be physically present in United States at time of emergency which necessitates hospitalization.
31	(51)	Technical—renumbering and lettering.
31	(52)	Technical—renumbering and lettering.
32	(53)	Technical—renumbering and lettering.
32	(54)	Technical—renumbering and lettering.
34	(55)	Committee-administration amendment granted fiscal intermediary the same immunity from liability for incorrect payments (in absence of gross negligence or intent to defraud) as is made to intermediary's certifying officers in the preceding two subsections which were in the House bill.
34	(56)	Technical—renumbering and relettering.
35	(57)	Technical—renumbering and relettering.
35	(58)	Technical—renumbering and relettering.
36	(59)	Hartke floor amendment authorizes appropriation out of general revenue to trust fund to finance inpatient hospital benefits in excess of 60 days (not intended).
37	(60)	Technical—editorial.
40	(61)	Technical—editorial.
40	(62)	Technical—editorial.

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
SUPPLEMENTARY MEDICAL PLAN B		
42	(63)	Committee-administration amendment changed name from Supplementary Health Insurance to Supplementary Medical Insurance.
42	(64)	Conforming—name change.
42	(65)	Conforming—name change.
42	(66)	Committee-administration amendment combines physicians' services into broader term "medical and other health services"—separate in House bill. See amendments Nos. 166 to 176 for new definition of "medical and other health services."
43	(67)	Committee amendment removing psychiatric hospital services from B program.
43	(68)	Technical—relettering.
43	(69)	Technical—relettering.
43	(70)	Conforming amendment with amendments Nos. 66 and 141.
43	(71)	Conforming—name change.
43	(72)	Conforming—name change.
44	(73)	Committee-administration amendment would allow, in the provision of "medical and other health services" (which are on a reasonable charge basis) that an organization which provides such services on a prepayment basis may elect to be paid 80 percent of the reasonable cost of services provided (on behalf of individuals enrolled in such organization) in lieu of 80 percent of the reasonable charges, if the organization charges no more than 20 percent of such reasonable cost apart from the annual deductible. House bill required payment of physicians' services on the basis of reasonable charges.
44	(73)(a)	Technical—relettering.
45	(74)	Committee-administration amendment allowed a deductible for outpatient diagnostic services under the A program to be considered as an incurred expense under the B program for deductible and reimbursement purposes. House bill allowed a credit for outpatient diagnostic deductible against inpatient hospital deductible under Plan A.
45	(75)	Conforming with transfer of psychiatric hospital.
46	(76)	Technical—relettering.
46	(77)	Conforming amendment with amendment No. 74.
46	(78)	Technical—relettering.
46	(79)	Conforming amendment with psychiatric hospital transfer to plan A.

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
47	(80)	Technical—relettering.
47	(81)	Technical—relettering.
47	(82)	Conforming amendment with psychiatric hospital transfer to plan A.
48	(83)	Conforming amendment with psychiatric hospital transfer to plan A.
48	(84)	Conforming amendment with psychiatric hospital transfer to plan A.
48	(85)	Conforming amendment with psychiatric hospital transfer to plan A.
48	(86)	Technical—relettering ( <i>italic should be omitted</i> ).
49	(87)	Technical—editorial.
49	(88)	Technical—relettering.
49	(89)	Technical—editorial.
49	(90)	Conforming with transfer of psychiatric hospital in plan A.
50	(91)	Technical—relettering.
51	(92)	Conforming with transfer of psychiatric hospital to plan A.
52	(93 to 95)	Committee amendment added a requirement for aliens of 10 years of continuous residence prior to enrollment in addition to requirement of permanent residence in House bill. See also amendments 215 and 216.
53 through 100)	(96 through 100)	Committee-administration amendment providing that for people who reach 65 by June 30, 1966 (January 1, 1966, under House bill), would have an enrollment period beginning on April 1 and ending on September 30, 1966 (House bill period began on first day of second month beginning after month of enactment and ending on March 31). Also provided for general enrollment periods October 1 through December 31 of even-numbered years beginning in 1968 (House bill provided for such period in odd-numbered years beginning in 1967).
54	(101)	Committee amendment deferred effective date for B plan benefits from July 1, 1966, under House bill, to January 1, 1967.
54	(102)	Committee-administration amendment provided that coverage would take effect with the month the individual attains age 65 if he enrolls before that month. If he enrolls in the month in which he attains age 65, the insurance would take effect with the following month; if he enrolls the month following the month in which he attains age 65, it would take effect with the second month following the month of enrollment; if he enrolls more than 1 month following the month

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		in which he attains age 65, the insurance would take effect with the third month following the month in which he enrolls. Under the House bill, the supplementary insurance would be effective with the first day of the third month following the month in which he enrolls (but not earlier than the effective date for benefit payments under the program).
56	(103)	Committee-administration amendment set premium at \$3 for every month before 1969 (1968 in House bill) with Secretary setting new premium amount between July 1 and October 1, 1968 (1967 in House bill), and each even-numbered year thereafter (odd-numbered year in House bill).
	to (106)	
56	(107)	Conforming amendment—name change.
through	to	
58	(112)	
59	(113)	Committee-administration amendment added provision that if a civil service annuitant enrolled under the B plan, his premium amount would be withheld from his monthly annuity. If spouse of annuitant enrolled, her premium would be withheld from his annuity if he agreed to it.
through		
61		
61	(114)	Technical—renumbering.
61	(115)	Conforming amendment with amendment No. 113.
61	(116)	Technical or conforming.
through	to	
62	(125)	
66	(126)	Conforming amendment with amendment No. 113. Reimbursement of Civil Service Commission for costs of making deductions from premiums.
66	(127)	Committee-administration amendment as to use of carriers in administration—substitutes the following language: “In order to provide for the administration of the benefits under this part with maximum efficiency and convenience for individuals entitled to benefits under this part and for providers of services and other persons furnishing services to such individuals, and with a view to furthering coordination of the administration of the benefits under part A and under this part, the Secretary is authorized to enter into contracts with carriers, including carriers with which agreements under section 1816 are in effect, which will perform some or all of the following functions (or, to the extent provided in such contracts, will secure performance thereof by other organizations); and, with
through		
67		

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		respect to any of the following functions which involve payments for physicians' services, the Secretary shall to the extent possible enter into such contracts:"
		The House bill provided, "In order to provide for the administration of the benefits under this part, the Secretary shall to the extent possible enter into contracts with carrier which will undertake to perform the following functions or, to the extent provided in such contracts, to secure such performance by other organizations:"
69	(127)(a)	Technical—relettering.
70	(128)	Committee amendment wrote into bill House report language that "In determining the reasonable charge for services for purposes of this paragraph, there shall be taken into consideration the customary charges for similar services generally made by the physician or other person furnishing such services, as well as the prevailing charges in the locality for similar services."
71	(129)	Committee-administration amendment granted carrier the same immunity from liability for incorrect payments (in absence of gross negligence or intent to defraud) that is granted carriers certifying or disbursing officers.
72	(130) through (135)	Conforming amendments—new name and change in effective date.
		MISCELLANEOUS PROVISIONS—A AND B PROGRAMS
76	(136)	Conforming amendment—new name.
76	(137) and (138)	Committee-administration amendment removed House requirement of appropriation of contingency reserve during fiscal 1966 for use during fiscal 1967—would provide for appropriation at any time to remain available through calendar 1968.
76	(139)	Conforming amendment to new effective date.
76 through 77	(140)	Technical amendment inasmuch as no hospital and extended care services remain in part B.
78	(141)	Committee amendment—covered M.D. services provided in the field of pathology, radiology, physiatry, or anesthesiology in part A. Douglas floor amendment added terminology "under arrangements by the hospital with them." McCarthy floor amendment added the word "professional" before "services." House bill provided these services exclusively under part B but did cover the services of the non-M.D. technicians of these specialties in part A.

**SENATE AMENDMENTS TO H.R. 6675—Continued**

Bill page	Amendment number	Description
78	(142)	Technical—editorial.
79	(143)	Committee amendment—included as hospital services under the A program services in a hospital or osteopathic hospital performed by an intern, or resident in training in the field of dentistry, approved by the Council on Dental Education of the American Dental Association.
79	(144)	Conforming amendment with amendment No. 9.
80	(145)	Technical—editorial.
81	(146)	Conforming with amendment No. 9.
81	(147)	Conforming—transfer of psychiatric hospital.
	and	
	(148)	
81	(149)	Technical—editorial.
81		
through	(150)	Technical—editorial.
82		
82	(151)	Conforming amendment—transfer of psychiatric hospital.
83	(152)	Technical—editorial.
	through	
	(155)	
86	(156)	Committee-administration amendment—allowed readmittance to any qualified extended care facility if within 14 days after discharge. House bill provided for readmittance only to same extended care facility.
88	(157)	Technical—editorial.
88	(158)	Conforming with amendment No. 16 by striking exclusion of extended care facilities primarily for mental diseases and tuberculosis.
88	(159)	Committee amendment included within definition of extended care facility an institution operated as a Christian Science nursing home.
92	(160)	Allott floor amendment which, as to provision which allows State agencies to qualify extended care facilities if, in good faith, they have attempted to enter into an agreement with a hospital—specified that such hospital could be “within the State or otherwise.”
94	(161)	Conforming with amendment No. 9.
95	(161a)	Technical—relettering.
96	(162)	Committee amendment qualified a Christian Science visiting nurse service as a home health agency.
97-98	(162a)	Technical—relettering.
	(162b)	
	(162c)	

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
98	(163)	Committee-Administration amendment defined "physician" as "a doctor of medicine or osteopathy". Under House bill "physician" defined as "an individual legally authorized to practice medicine and surgery by the State * * *"
98	(164)	Committee amendment included within the term "physician" a doctor of dentistry or of dental or oral surgery who is legally authorized to practice dentistry by the State in which he performs such function but only with respect to (a) surgery related to the jaw or any structure contiguous to the jaw or (b) the reduction of any fracture of the jaw or any facial bone."
98	(164a)	Technical—relettering.
98	(165)	Conforming with amendment No. 166.
98	(166)	Committee-administration amendment made physician's services a subcategory of "medical and other health services." Committee amendment added services under part B of chiropractors and podiatrists.
98-99	(167)	Committee-administration amendment included services and supplies furnished as an incident to provision of physician's professional services if commonly furnished in physician's offices and are commonly rendered without charge or included in the physician's bills, and hospital services incidental to physicians' services rendered to outpatients; drugs and biologicals which cannot be self-administered are included.
99	(168)	Technical—renumbering.
99	(169)	Committee-administration amendment struck specific diagnostic tests and included them under the more general heading "other diagnostic tests."
99	(170)	Technical—renumbering.
	through (175)	
100	(176)	Committee-administration amendment provided that no diagnostic test performed in any laboratory, independent of a physician's office or hospital, shall qualify under the B program unless the laboratory is licensed pursuant to State law or is approved by a State or local agency responsible for licensing establishments of this nature, and meets such other standards relating to the health and safety of tests as the Secretary may find necessary. The House bill contained no provisions for such licensing.
100	(176a)	Technical—relettering.
100	(177)	Technical—renumbering.

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
100	(178)	Committee-administration amendment inserted language "(or approved for inclusion)" to provide for coverage of drugs which do not yet appear in the listed formularies.
101	(179)	Technical—editorial.
101	(180)	Committee amendment added the United States Homeopathic Pharmacopoeia to list of approved formularies.
101	(181)	Committee-administration amendment added provision to include combination drugs if their principal ingredient is listed in the above formularies.
101	(182)	Committee-administration amendment added to the provision qualifying drugs approved by hospital pharmacy and drug therapeutics committee the terminology "for use in such hospital."
101	(182a)	Technical—relettering.
101	(182b)	Technical—relettering.
103-104	(182c)	All conforming with transfer of psychiatric hospitals.
	(185)	
104-105	(185a)	Technical—relettering.
	(185b)	
105	(186)	Committee amendment defined "chiropractor" as an "individual who is licensed under State law to practice as a chiropractor in the State, and the term "chiropractors' services" to be services "performed by a chiropractor within the scope of his license." Also defined "podiatrist" as an individual "who is licensed under State law to practice as a podiatrist"; and the term "podiatrists' services" to mean "services performed by a podiatrist within the scope of his license."
106	(187)	Committee amendment modified the exclusion under part A and part B of expenses which are paid for directly or indirectly by a government entity so that benefits under a health or insurance plan established for employees of such entity would not be excluded.
106	(188)	Conforming with amendment No. 50.
107	(189)	Technical—editorial.
107	(190)	Technical—editorial.
107	(191)	Committee amendment provided new exclusion where expenses are for services in connection with the care, treatment, filling, removal, or replacement of teeth or structures directly supporting teeth.
108	(192)	Kennedy (New York) floor amendment struck requirement that standards set by State agencies
	(193)	for hospitals cannot be higher than comparable

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		requirements prescribed for accreditation by the Joint Commission on the Accreditation of Hospitals; and provided that in the case of any State or political subdivision of the State that imposes higher requirements as a condition to the purchase of services under a State plan approved under titles I, XVI, or XIX, the conditions so prescribed may not be lower than those requirements imposed on the institutions in the above welfare programs.
109	(194)	Conforming with amendment No. 176.
109	(195)	Miller floor amendment struck House provision which allows the Secretary, to the extent that he finds it appropriate, to use State agency certification that an institution is a hospital, extended care facility, or a home health agency. Amendment would require that State agency certification shall qualify facility or agencies under the act, provided that, in the event the Secretary determines that the hospital, facility, or agency is so inadequate as to endanger the life or health of the people it services, gives notice of such determination to the certifying State agency, and provides an opportunity for hearing thereon to the State agency.
111	(196)	Technical—editorial.
111	(196a)	Technical—relettering.
112	(197)	Conforming amendment with transfer of psychiatric hospital.
112	(198)	Conforming amendment with amendment No. 31 (coinsurance—extended care).
112	(199)	Conforming amendment with amendment No. 28 (coinsurance—extended care).
113	(200)	Conforming amendment with transfer of psychiatric hospital.
114	(201)	Technical—editorial.
116	(202)	Technical—editorial.
120	(203)	Kennedy (Massachusetts) floor amendment reduced House \$1,000 amount of claim requirement in right to appeal to hearings examiner and judicial review to \$100 in A program.
121	(204)	Committee-administration amendments set
124	(205)	up more detailed procedures than House bill for
	(206)	dealing with overpayments particularly where the overpaid person is still alive, and for adjustment of benefits where party subject to adjustment is without fault.
126	(207)	Technical—editorial.
127	(208)	Conforming amendment with amendment No. 8.

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Admendment number	Description
127	(209)	Technical—editorial.
127	(210)	Javits floor amendment authorizing the Secretary to study methods that could be used in providing, under part B, for prescription drugs. The Secretary shall report to the Congress on or before June 30, 1966, indicating his recommendations as to the best approach to covering drug costs under part B and the feasibility of adopting this approach.
128	(211)	Conforming amendments—grace period for extension of effective date of B program.
	through (213)	
129	(214)	Inouye floor amendment added, as to qualification of uninsured individuals under transitional provision, the requirement that an alien must be lawfully admitted for permanent residence, but reduced the House requirement from 10 years of residence to 6 months immediately prior to filing application.
	through (216)	
130	(217)	Committee-administration amendment would allow an uninsured individual to file an application for benefits 3 months prior to reaching age 65. Under House bill an individual must file an application no earlier than the month he attains age 65.
131	(218)	Committee amendment restricted exclusion of individuals under transitional provision for the uninsured to those actually covered by an enrollment in a health benefits plan under the Federal Employee's Health Benefits Act of 1959. Under House bill, exclusion extended to persons who could have been covered if they, or some other individual, had the opportunity to enroll them under the plan.
	and (219)	
131	(220)	Committee-administration amendment as to payments from the general fund to the hospital trust fund for uninsured persons, authorized payment of the full amount for a fiscal year at the beginning of the fiscal year as well as during such fiscal year.
and through 132	(223)	
133	(224)	Technical—relettering.
	and (225)	
134	(226)	Technical—editorial.
	through (234)	
136	(227)	Committee amendment deleted House provision which would have limited the deduction for medical care expense if taxpayers (or dependent parents) aged 65 or over to the amount in excess of 3 percent of adjusted gross income and

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		which would have limited the amount of medicine and drug costs included in medical care expenses to the amount in excess of 1 percent of adjusted gross income. Also deleted was the provision which would have allowed all taxpayers to deduct one-half of the cost of medical-care insurance outside the regular medical expense category.
137	(228)	Committee amendment deleted the provision in the House bill which required insurance companies to state in the policy that portion of the multipurpose premium which is used for medical care (and therefore is deductible), would permit this information alternatively to be reported to the insured in a separate statement.
	through (233)	
139	(234)	Mansfield floor amendment eliminates all maximum limitations on the medical expense deduction. Taxpayers under age 65 will be allowed to deduct all their medical expenses which are in excess of 3 percent of their adjusted gross income; those age 65 or over could deduct all their medical expenses.
140	(235)	Technical—renumbering.
141-143	(236)	
	through (239)	Conforming amendments with new name for B program.
143	(240)	Case floor amendment added provision that, as soon as practicable after enactment, the Secretary shall appoint an Advisory Council on Social Security for the purposes stated in amendment No. 247.
143	(241)	Conforming amendment with new name for B program and amendment No. 247.
	through (245)	
146	(246)	Technical—editorial.
146	(247)	Case floor amendment provided that the Advisory Council on Social Security (amendment No. 240) shall make a comprehensive study of nursing home and other extended care facilities in relation to extended care services under part A, including the availability of such facilities and the types and quality of care provided in such facilities; to report its findings and make recommendations based thereon with a view to action necessary for their maximum use and to provide high-quality care in such facilities; the report to be transmitted to the Congress not later than 1 year after date of enactment, after which the Council shall cease to exist.

**SENATE AMENDMENTS TO H.R. 6675—Continued**

Bill page	Amendment number	Description
147-161	(248)	Committee amendment amends various amendments to House bill vesting the Railroad Retirement Board with authority to determine the rights to hospital insurance benefits of railroad retirement annuitants and pensioners under part A. The Board's authority with respect to these beneficiaries would be the same as that of the Secretary of HEW with respect to other beneficiaries. Payments to railroad beneficiaries would be made from the railroad retirement account. The financial interchange mechanism would be extended to cover hospital insurance benefit funds. Any agreement with a hospital entered into by the Secretary of HEW would also be entered into on behalf of the Railroad Retirement Board but the Board would have authority to enter agreements with certain hospitals in Canada. These provisions would only become effective if the Railroad Retirement Act is amended by increasing the maximum amount of taxable monthly compensation to a level comparable to the level of maximum wages under FICA, otherwise House bill provisions would remain in effect; the effective date of the amendments would be January 1 of the year following the year that this requirement is met by October 1.
160	(249)	Committee amendment authorized an additional Under Secretary of Health, Education, and Welfare and two additional Assistant Secretaries.
<b>GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS</b>		
162	(250)	Javits' floor amendment offered alternative to House requirement that, effective July 1, 1970, States provide all the non-Federal share—the alternative to provide for distribution of Federal and State funds on an equalization or other basis which will assure that lack of adequate funds from local sources will not result in lowering the amount, duration, scope, and quality of services available under the plan.
163-164	(251)	Committee amendment would allow any single State agency to administer the medical assistance plan as long as the determination of eligibility would be made by the State or local agency administering the State plan under title I or XVI. Under House provision, the single State agency administering the plan had to be the

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		agency administering the plan under title I or XVI.
165	(252)	Technical—relettering.
	(253)	Technical—editorial.
165	(254)	Committee amendment provided that, after June 30, 1967, a State plan shall include requirements contained in standards established by the Secretary of Health, Education, and Welfare, relating to protection against fire and other hazards to the health and safety of individuals in private or public institutions providing services under the plan.
165	(255)	Committee-administration amendment exempted from comparability requirement, inpatient hospital services and skilled nursing services in institutions for treatment of mental diseases or tuberculosis, dental services for minors, and skilled nursing home services for adults.
166	(256)	Committee-administration amendment substituted the terminology "or remedial care and services" for "medical assistance" to use proper terminology in describing those services not falling under the term "medical assistance."
	(256)	
166	(258)	Conforming amendment with amendment No. 255.
166-7	(259)	Committee-administration amendment substituted the terminology "or remedial care and services" for "medical assistance," to use proper terminology in describing those not falling under the term "medical assistance."
	(260)	
	(261)	
171	(262)	Committee-administration amendment deleted and special requirement as to patients in tuberculosis institutions.
	(263)	
172-173	(264)	Technical—editorial.
	(265)	
173	(266)	Committee-administration amendment added a requirement that the State plan include a description of the kinds, numbers, and responsibilities of professional medical personnel, the standards to be used by standard-setting authorities for institutions, the cooperative arrangements with State health and vocational rehabilitation agencies, and other standards and methods to be used to assure provision of medical or remedial care and that services are of high quality.
174	(267)	Williams floor amendment provided that any individual entitled to medical assistance may obtain such from any institution, agency, or per-

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		son qualified to perform such services who undertakes to provide him such services.
174	(268) and (269)	Conforming amendments with amendment No. 251.
176	(270)	Committee-administration amendment extended the 75 percent matching to the training of skilled professional medical personnel and supporting staff in State agencies. House bill 75 percent matching limited to compensation of such personnel.
177	(271)	Conforming amendment with amendment No. 262.
180-181	(272)	Committee-administration amendment substituted, compliance date of 10 years following effective date of plan for furnishing comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources in lieu of House compliance date of July 1, 1975.
182	(273) and (274)	Ribicoff floor amendment expanded definition of "medical assistance" to include all individuals who are under the age of 21 and adults caring for them. Under House bill, dependent children under the age of 21 could be included even though they did not meet the State AFDC plan requirements for need and age, but were otherwise qualified.
182	(275)	Committee-administration amendment excluded from required inpatient hospital services, services in an institution for tuberculosis or mental diseases.
182	(276)	Committee amendment excluded from required services—skilled nursing home services, services in an institution for tuberculosis or mental diseases and such services for individuals under 21 years of age. Makes dental services for individuals under 21 required services.
183	(277)	Committee amendment made optional skilled nursing home services and dental services which are not mandatory under the preceding amendment.
183	(278)	Technical—editorial.
183	(279)	Committee-administration amendment made optional inpatient hospital services and skilled nursing home services in an institution for tuberculosis or mental diseases.
183	(280)	Technical—renumbering.
185	(281)	Committee amendment eliminated House bill termination date of June 30, 1967, for existing medical vendor provisions.

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
185-186	(282)	Committee-administration amendment expanded House bill provision which stated that any amount which was disregarded in determining eligibility in any of the public assistance titles could not be taken into account in determining eligibility or amount of medical assistance under title XIX, so that any amount so disregarded under any program could not be taken into account under any other public assistance program.
186	(283)	Conforming amendment with name change, part B.
186	(284)	Technical—editorial.
186-189	(285)	Cooper floor amendment required the Secretary of Health, Education, and Welfare to provide personal notice to each individual who, after June 1966, becomes entitled to benefits, containing information and data as to benefits provided under parts A and B and those not provided and information on the class of persons eligible; in addition the Secretary is required to utilize to the fullest extent feasible other media of communications in the notification process.
OTHER AMENDMENTS RELATING TO HEALTH CARE		
190	(286)	Technical—editorial.
	and (287)	
193	(288)	Committee amendment increased authorization for special projects grants for health of school and preschool children by \$5 million for fiscal 1966, 1967, 1968, and 1969 (for emotionally disturbed children).
	(289)	
	(290)	
194	(291)	Technical—editorial.
	and (292)	
194-195	(293)	Committee amendment authorized grants to a State health, mental health, or public welfare agency and with the consent of the appropriate State agency to the health, mental health, or public welfare agency of any political subdivision of the State, and to any public or nonprofit private agency or institution to pay not to exceed 75 percent of the cost of projects providing for the identification, care, and treatment of children who are or are in danger of becoming emotionally disturbed.
195	(294)	Technical—relettering.

**SENATE AMENDMENTS TO H.R. 6675—Continued**

Bill page	Amendment number	Description
196	(295)	Committee amendment increased authorization for child welfare services to same level as the maternal and child health and crippled children's programs under the House bill. An increase of \$5 million for 1966 and for most subsequent years.
196	(296)	Committee amendment eliminated provision for day-care services. Conforming adjustment of allotment formula.
199	(297)	Technical—editorial.
200-202	(298)	Conforming with amendment No. 262, eliminating special requirements for TB patients.
	(299)	
	and	
	(300)	
204	(301)	Technical—editorial.
204-207	(302)	Conforming with amendment No. 262, eliminating special requirements for TB patients.
	(303)	
	and	
	(304)	
209-210	(305)	Committee amendment authorized \$500,000 for fiscal 1966 and 1967 for grants for studies as to the prevention, diagnosis, and treatment of emotionally disturbed children.
SOCIAL SECURITY AMENDMENTS		
211-212	(306)	Committee amendment updated benefit tables to provide for \$6,600 earnings base which is effective January 1, 1966, rather than House two-stage earnings base: \$5,600 in 1966 and \$6,600 in 1971.
	through (309)	
222	(310)	Technical—editorial.
224	(311)	Committee-administration amendment repealed provision for dropout recomputation in 1954 amendments.
224-266	(312)	Committee amendment provided for payment of disability benefits for worker who has been, or can be expected to be, totally disabled for 12 calendar months or whose disability can be expected to result in death. The House bill eliminated the requirement of present law that a worker's disability must be expected to result in death or to be of long continued and indefinite duration, and provided that a worker would be eligible for disability insurance benefits if he has been totally disabled for a continuous period of 6 full calendar months.
226	(313)	Committee bill amended House bill to retain termination provisions of present law, so that benefits shall not be paid after the second month following the month disability ceases. The House bill retained the termination provision in

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		present law for cases of long-term disability (disability which lasts at least 18 months) but provided, in the case of disabilities which have lasted less than 18 months, for payment in the month of cessation and for only 1 additional month's benefits.
226-227	(314)	Technical amendment conforming with amend-
	through	ment No. 312.
	(316)	
228-230	(317)	Committee amendment changed provision of House bill so as to retain waiting period requirements of present law. House bill provided for the payment of disability insurance benefits beginning with the last month of the 6-month waiting period rather than with the first month after the 6-month waiting period.
230	(318)	Technical—relettering.
230-231	(319)	Committee-administration amendment provided additional point for conversion of a disability insurance benefit to an old-age insurance benefit.
231	(320)	Technical—relettering.
	through	
	(322)	
232	(323)	Technical amendment conforming with amend-
		ment No. 312.
232-233	(324)	Committee-administration amendment provided effective date as to change in amendment No. 319.
233-234	(325)	Committee-administration amendment provided an election between old-age insurance benefits or disability insurance benefits as to which to take in simultaneous entitlement situation (under age 65).
236-238	(326)	Technical—editorial.
	through	
	(328)	
239	(329)	Committee amendment changed allocation for disability insurance trust fund to 0.76 percent of wages and 0.525 percent of self-employment income (three-fourths and nine-sixteenths percent respectively in House bill).
	through	
	(330)	
239-244	(331)	Committee amendment provided for disabled child's benefits if he comes under a disability which began before he attained the age of 22. Under present law disability must begin before age 18.
	through	
	(335)	
246-250	(336)	Technical and conforming.
	through	
	(350)	

**SENATE AMENDMENTS TO H.R. 6675—Continued**

Bill page	Amendment number	Description
250	(351)	Provided effective date for disabled child's benefit (second month following month of enactment).
256	(352)	Committee-administration amendment substituted the terminology "is not married" for the House language "has not remarried" in the case of entitlement for an aged divorced wife.
258	(353)	Technical amendment, conforming with amendment No. 352.
258	(354)	Technical—renumbering.
259	(355)	Committee-administration amendment substituted the terminology "is not married" for the House language "has not remarried" in the case of entitlement of a widow or surviving divorced wife.
260	(356)	Committee-administration amendment provided that surviving divorced wife will not have to meet support requirement if she was entitled to a divorced wife's benefits for the month before the month the wage earner died.
261-263	(357)	Committee-administration amendment eliminated House bill provision relating to special treatment in cases where a divorced woman remarries (since this is taken care of by amendments Nos. 352 and 355).
264-267	(358) through (361)	Committee-administration amendments made changes similar to amendments Nos. 352 and 355 in the case of entitlement of a surviving divorced mother who remarries.
270	(362)	Committee amendment exempted first \$1,800 a year of earnings, with \$1 reduction in benefits for each \$2 of annual earnings between \$1,800 and \$3,000 and of \$1 for each \$1 of earnings above \$3,000. The House bill retained the present exemption of \$1,200 a year of earnings, with the \$1 reduction in benefits for each \$2 of annual earnings applying between \$1,200 and \$2,400, and \$1 for each \$1 of earnings above \$2,400.
273	(363)	Committee amendment moved up the effective date for coverage of doctors of medicine to taxable years ending on or after December 31, 1965. The House made the effective date for taxable years ending after December 31, 1965.
274-284	(364)	Committee amendment covered cash tips received by an employee in the course of his employment as income from self-employment for social security tax and benefit purposes, except that tips which are covered as wages under present law would continue to be covered as

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		wages. In computing the tipped employee's net earnings from self-employment, only business expenses attributable to tips covered as income from self-employment are to be deducted. Effective for taxable years beginning after 1965. The House bill covers tips as wages which an employee receives on his own behalf in the course of his employment for an employer, whether the tips are received directly from a customer or through the employer. However, cash tips of less than \$20 received by an employee in a calendar month in the course of his employment for one employer and all noncash tips are excluded.
284	(365)	Committee amendment deleted "Kentucky" from the House bill providing coverage for State and local employees of that State under the split-system provision.
284	(366)	Technical—editorial.
285-287	(367)	Committee-Treasury amendment, as to retroactive coverage for nonprofit organizations gave those employees to whom additional retroactive coverage is made applicable an individual choice of such coverage.
290	(368)	Committee-administration amendment permits certain employees whose wages were erroneously reported by a nonprofit organization during the period the organization's waiver certificate was in effect to validate such erroneously reported wages.
295	(369)	Technical—conforming amendment to Senate committee earnings base change.
305-309	(371) (372)	Committee amendment provided earnings base of \$6,600 for years after 1965. House bill provided earnings base of \$5,600 for 1966-70 and \$6,600 after 1970.
310-136	(406) (407)	Committee amendments revised tax schedules as follows:
	(449)	

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	House bill	Senate bill
Taxable years beginning in—		
1966-68 .....	6.0	5.8
1969-72 .....	6.6	6.8
1973 and thereafter .....	7.0	7.0
Employer-employee:		
Calendar years:		
1966-68 .....	4.0	3.85
1969-72 .....	4.4	4.50
1973 and thereafter .....	4.8	4.95

## SENATE AMENDMENTS TO H.R. 6675—Continued

*Basic hospital insurance program*

[Combined employer-employee rate: self-employed pay 50 percent thereof]

Year	Basic hospital insurance program	
	Under Senate bill	Under House bill
1965	0.65	0.70
1966	1.00	1.00
1967	1.00	1.00
1968	1.00	1.00
1969-70	1.10	1.00
1971-72	1.30	1.10
1973-75	1.40	1.20
1976-79	1.60	1.40
1980-86	1.60	1.40
1987 and after	1.70	1.60

Bill page	Amendment number	Description
319	(450)	Committee-administration clarifying amendment limited application of provision for adoption of child by retired worker to cases in which a child is adopted after worker becomes entitled to benefits.
320	(451) through (453)	Conforming amendment to amendment No. 450.
325	(454) through (456)	Conforming amendments for Senate committee earnings base change.
326-7	(457)	Committee-administration amendment extended life of applications for social security benefits to the date of final decision thereon by the Secretary. Under existing law the life of application for benefits is 3 months (9 months for disability benefits).
327-329	(458)	Committee-administration amendment facilitated the recovery of overpayments and provided specific authority, lacking in present law, for the Secretary to settle all underpayments of benefits.
329-330	(459)	Committee-administration amendment authorized the Secretary to make a temporary overpayment so as to permit a surviving spouse to cash a benefit check issued jointly to a husband and wife if one of them dies before the check is negotiated; any overpayment resulting from the cashing of the joint check would be recovered.
330-334	(460)	Committee-administration amendment provided that social security credit can be obtained for the earnings of certain ministers which were reported but which cannot be credited under present law.

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
334-335	(461)	Committee-administration amendment would permit a court that renders a judgment favorable to a claimant in an action arising under the social security program to set a reasonable fee (not in excess of 25 percent of past due benefits which become payable by reason of the judgment) for an attorney who successfully represented the claimant. The Secretary would be permitted to certify payment of the fee to the attorney out of such past due benefits.
335-337	(462)	Committee amendment provided that benefits would be payable to widows aged 60 or over and to widowers aged 62 or over who remarry—the amount of the benefit to be equal to 50 percent of the primary benefit of the deceased spouse if that amount is higher than her wife's benefit as a result of the remarriage.
338-340	(463)	Committee-administration amendment provided an exception to the 1-year-duration requirement as to social security benefits for any widow, wife, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child.
340-346	(464)	Committee amendment provided that the social security disability benefit for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in national average earnings levels. The offset provision will be applicable with respect to benefits payable for months after December 1965 based on applications filed after December 1965.
346-347	(465)	Committee amendment authorized the Secretary (rather than State agency) to make determinations of disability or cessation of disability where medical and other information supplied or designated by the individual, or evidence of remunerative work activities, indicates that the individual is under a disability or that the disability has ceased.
347-351	(466)	Committee amendment provided that State vocational rehabilitation agencies will be reimbursed from the social security trust funds for the cost of rehabilitation services furnished to indi-

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		viduals who are entitled to disability insurance benefits or to a disabled child's benefits. The total amount of the funds that could be made available from the trust funds for purposes of reimbursing State agencies for such services could not, in any year, exceed 1 percent of the social security disability benefits paid in the previous year.
351	(467)	Committee amendment reopened until July 1, 1970, a provision of law permitting the State of Maine to treat teaching and nonteaching employees actually in the same retirement system as though they were in separate retirement systems for social security coverage purposes.
351-352	(468)	Committee amendment authorized the State of Iowa and the State of North Dakota to modify their coverage agreements to exclude from social security coverage certain service performed in any calendar quarter in the employ of a school, college, or university by a student if the remuneration for such service is less than \$50.
352-355	(469)	Committee amendment included in definition of child a child who cannot inherit his father's intestate personal property if the father had acknowledged him in writing, had been ordered by a court to contribute to his support, had been judicially decreed to be his father or had been shown by other satisfactory evidence to be his father and was living with or contributing to his support.
355-356	(470)	Committee amendment provided that when an employee works for a corporation which is a member of an affiliated group of corporations and is then transferred to another corporation which is a member of such group, the total employer social security tax payable by the two corporations for the years in which the employee is transferred will not exceed the amount that would be paid by a single corporation.
356-360	(471)	Byrd (West Virginia) floor amendment provided for lowering from 62 to 60 the age at which a worker could elect to start getting an actuarially reduced benefit. The reduction factor would be the same as under present law—five-ninths of 1 percent for each month worker is entitled to receive a benefit before age 65. A worker who begins to draw benefits at age 60 would have his benefit reduced by 33½ percent; also lowering from 62 to 60 the age at which a wife or dependent husband could elect to start getting an actuarially

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		reduced benefit. The reduction factor would be the same as under present law—twenty-five thirty-sixths of 1 percent for each month a benefit is payable before age 65. An individual who receives benefits at age 60 would receive 58½ percent of the benefit amount that would be payable if he waited until age 65 to claim benefits.
361	(472)	Lausche floor amendment required Social Security Administration to furnish information to help locate deserting parent or husband to any State welfare agency or to a court of competent jurisdiction if the request is made and the court or agency certifies that such individual is failing to provide support and maintenance for his destitute wife or children.
362-363	(473)	Long (Louisiana) floor amendment reopened to April 15, 1966, the period (which expired on April 15, 1965) during which ministers who have been in the ministry for at least 2 years may file waiver certificates electing social security coverage.
363-364	(474)	Miller floor amendment provided that the amount of the 1965 social security benefit increase for "subsequent months" would not be counted toward the VA income limitation.
364	(475)	Gruening floor amendment validated the past coverage of employees of certain school districts in Alaska which have been included in error under the Alaska coverage agreement as separate political subdivisions. The employees of the school districts involved should have been covered as employees of the political subdivisions of which the school district are integral parts. Effective only for years prior to 1966.
365	(476)	Moss floor amendment provided exception so that child's benefits would not terminate if child is adopted by his brother or sister after death of worker. Under present law benefits terminate unless he is adopted by his stepparent, grandparent, uncle, or aunt after death of worker on whose earnings record he is getting benefits.
365-368	(477)	Hartke floor amendment added alternative for insured status for disability benefits of 6 quarters of coverage, acquired at any time, for individuals who meet liberalized definition of blindness (for insured status under existing law, an individual (1) must have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability begins and (2) must be fully insured. Under liberalized definition for both the freeze

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
		and benefit purposes the following degree of blindness is deemed disabling: Central visual acuity of 20/200 or less in the better eye with the use of correcting lenses, or visual acuity greater than 20/200 if accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20°.
		Under existing law, for benefit purposes, an individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. A stricter definition of blindness is deemed disabling for disability freeze purposes.
PUBLIC ASSISTANCE AMENDMENTS		
372	(478)	Yarborough floor amendment changed the effective date for the new Federal matching formula to after June 30, 1965. The effective date in the House bill was after December 31, 1965.
376-377	(479)	Committee-administration amendment authorized protective payments under aid to the blind program (title X).
377-379	(480)	Committee-administration amendment authorized protective payments under aid to the permanently and totally disabled program (title XIV).
379	(481)	Technical—relettering.
379	(482)	Committee amendment added effective date of December 31, 1965, for above changes in titles X and XIV (same as House provision for protective payments).
379 through	(483)	Long (Louisiana) floor amendment allowed State, at its option, to disregard not more than \$7 per month of any income in old-age assistance program with effective date of October 1, 1965.
	(485)	Also changes effective date for House earned income exemption in OAA from January 1, 1967, to October 1, 1965.
380	(486)	Long (Louisiana): Same provision (with amendments Nos. 483-485) for aid to families with dependent children and aid to the blind programs.

## SENATE AMENDMENTS TO H.R. 6675—Continued

Bill page	Amendment number	Description
380-381	(487)	Long (Louisiana) floor amendment added same provision for aid to the permanently and totally disabled program; added committee amendment so that a State may, at its option, exempt the first \$20 and half of the next \$60 of a recipient's monthly earnings (same as old-age assistance exemption in both Senate and House bills); also committee amendment provided that the State agency may, for a period not in excess of 36 months, disregard other income and resources in the case of an individual who has a plan for achieving self-support approved by the State agency, but only if he is actually undergoing vocational rehabilitation.
381-383	(488)	Long (Louisiana) floor amendment added same provision as amendment No. 483-485 for title XVI (adult combined program) to reflect changes in titles I, X, and XIV.
383	(489)	Committee-administration amendment placed a limitation of 30 days in judicial review section on the time between the Secretary's receipt of a petition from the State and the time the hearing is set. The House bill set no time limitation.
384	(490)	Technical—editorial.
384	(491)	Committee-administration amendment changed terminology relating to substantial evidence rule
	and	
	(492)	to substitute "if supported by substantial evidence" for "unless substantially contrary to the weight of the evidence" in the House bill.
385	(493)	Technical—relettering.
389	(494)	Committee-administration amendment clarified House provision as to disregarding of OASDI retroactive increase in public assistance programs, to make clear that only payments based on retroactive feature are covered.
390-405	(497)	Committee amendment struck provisions repealing existing medical vendor provisions in public assistance titles, since new title XIX medical assistance is optional.
	through	
	(509)	
405	(510)	Committee added amendment stating "Notwithstanding any other provisions of the Social Security Act, whenever payment is authorized for services which an optometrist is licensed to perform, the beneficiary shall have the freedom to obtain the services of either a physician skilled in diseases of the eye or an optometrist, whichever he may select."

**SENATE AMENDMENTS TO H.R. 6675—Continued**

Bill page	Amendment number	Description
405-406	(511)	Committee added an amendment broadening the definition of a "school" to include colleges, at the State's option with respect to continuation of AFDC assistance payments up to age 21. Present law is limited to high school.
406	(512)	Committee amendment will allow States, at option, to exempt up to \$50 of earnings for each of not more than three children in the same family in AFDC program in determining need.
406-408	(513)	Kuchel floor amendment will (1) permit a State that has a medical assistance program under title XIX to claim Federal sharing in total expenditures for money payments under titles I, IV, X, XIV, and XVI under the same formula used for determining the Federal share for medical assistance under title XIX, and (2) for a State that does not have medical assistance under title XIX, if the Secretary finds the medical care provided under titles I, IV, X, XIV, and XVI as a whole meets substantially the objectives and requirements of title XIX, permit the State, from January 1, 1966, to July 1, 1966, to claim Federal matching for its total expenditures for money payments and/or for medical care under the formula used for determining the Federal share for medical assistance under title XIX.

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ACTUARIAL COST ESTIMATES FOR THE OLD-AGE,  
SURVIVORS, AND DISABILITY INSURANCE SYSTEM  
AS MODIFIED BY H.R. 6675 AND FOR THE HEALTH  
INSURANCE SYSTEM FOR THE AGED ESTABLISHED  
BY H.R. 6675, AS PASSED BY THE HOUSE OF REPRESENTATIVES AND AS ACCORDING TO THE ACTION  
OF THE SENATE



JULY 10, 1965

Prepared for the use of the Committee on Ways and Means  
by Robert J. Myers, actuary to the committee

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**ACTUARIAL COST ESTIMATES FOR THE OLD-AGE, SURVIVORS,  
AND DISABILITY INSURANCE SYSTEM AS MODIFIED BY  
H.R. 6675 AND FOR THE HEALTH INSURANCE SYSTEM FOR  
THE AGED ESTABLISHED BY H.R. 6675, AS PASSED BY THE  
HOUSE OF REPRESENTATIVES AND AS ACCORDING TO  
THE ACTION OF THE SENATE**

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**I. ACTUARIAL COST ESTIMATES FOR THE OLD-AGE, SURVIVORS, AND  
DISABILITY INSURANCE SYSTEM**

**A. INTRODUCTION**

This actuarial report presents both short- and long-range cost estimates for the old-age, survivors, and disability insurance system as it would be under the three versions of H.R. 6675—namely, as passed by the House of Representatives on April 8, as reported by the Senate Committee on Finance on June 30, and as passed by the Senate on July 9.

From an actuarial cost standpoint, the major features of this bill as passed by the House are as follows (a complete analysis is contained in H. Rept. 213, 89th Cong.):

(1) Monthly benefits for all types of beneficiaries would be increased by 7 percent on that portion of the benefit that is derived from the first \$400 of average monthly wage, with a \$4 minimum increase in the primary insurance amount.

(2) Child's benefits would be payable up to age 22 while attending school (but mother's benefits would not be payable solely with respect to such a child).

(3) Actuarially reduced benefits would be available for widows (without eligible children) first claiming them at ages 60 and 61.

(4) Benefits would be provided for certain individuals aged 72 and over who are not fully insured under present law—under the transitional insured status provisions.

(5) The underlying basis for the family maximum benefit provision would be changed so that it would be earnings-related at all earnings levels. The present basis is the smaller of 80 percent of average monthly wage or \$254 (twice the maximum primary insurance amount, which is the sum payable to a worker retiring at or after age 65, or to a disabled worker, without considering benefits for dependents), but in no case less than  $1\frac{1}{2}$  times the primary insurance amount. Under the proposed basis, the dollar-limit amount (\$254) would be eliminated, and instead the maximum would be determined from a weighted formula—80 percent of the first \$x of average monthly wage, plus 40 percent of the average monthly wage in excess of \$x

## ACTUARIAL COST ESTIMATES

(where  $x$  is two-thirds of the maximum possible average monthly wage—i.e., one-twelfth of the maximum annual earnings base.)

(6) The definition of disability would be liberalized so that an individual would be required to be totally disabled only throughout a continuous period of at least 6 months (instead of a requirement of a long-continued and indefinite duration or of being expected to result in death). Also, the waiting period would be reduced by 1 month, so that the first benefit payment would be paid at the end of the sixth full calendar month of disability.

(7) The earnings (or retirement) test would be liberalized so that the "band" for which there is a \$1 reduction in benefits for each \$2 in earnings (after earnings have exceeded the annual exempt amount of \$1,200) would be increased from \$500 to \$1,200.

(8) Benefit rights would be continued with respect to women who are divorced after at least 20 years of marriage (and also certain benefit rights based on a previous husband would be restored if a subsequent marriage ends in divorce before 20 years).

(9) Coverage would be extended to self-employed doctors and to tips, which would be covered as wages.

(10) The maximum earnings base would be increased from \$4,800 to \$5,600 per year for 1966-70 and to \$6,600 per year thereafter.

(11) The contribution schedule would be revised in the manner shown in table 1.

(12) The allocation to the disability insurance trust fund would be increased from 0.50 percent of taxable payroll (with respect to the combined employer-employee rate) to 0.75 percent.

(13) The financing of the additional benefit costs arising from the gratuitous military service wage credits (for service before 1957) would be changed from a current-cost basis (with 10-year amortization of costs incurred before 1956) to level payments in the future spread over 50 years.

TABLE 1.—Contribution rates for old-age, survivors, and disability insurance under various versions of H.R. 6675, as compared with those under present law

[In percent]

Calendar years	Present law	H. R. 6675		
		House-approved bill	Senate Finance Committee bill	Senate-approved bill
Combined employer-employee rate				
1965.....	7.25	7.25	7.25	7.25
1966-67.....	8.25	8.00	7.70	7.70
1968.....	9.25	8.00	7.70	7.70
1969-72.....	9.25	8.80	8.90	9.00
1973 and after.....	9.25	9.60	9.80	9.90
Self-employed rate				
1965.....	5.4	5.4	5.4	5.4
1966-67.....	6.2	6.0	5.8	5.8
1968.....	6.9	6.0	5.8	5.8
1969-72.....	6.9	6.6	6.7	6.8
1973 and after.....	6.9	7.0	7.0	7.0

(1) *Changes made in Senate Finance Committee bill*

The bill as reported by the Senate Committee on Finance differs from the House-approved bill in the following important matters, from a cost standpoint (a complete analysis is contained in S. Rept. 404, 89th Cong.):

(1) The maximum annual earnings base would be increased to \$6,600 immediately in 1966, rather than the two-step approach in the House bill.

(2) The earnings test would be further liberalized by increasing the annual exempt amount from \$1,200 to \$1,800 (with a corresponding change in the monthly test); the \$1,200 band for which \$1 of benefits is withheld for each \$2 of earnings would be retained at the \$1,200 figure in the House-approved bill.

(3) The liberalization in the definition of disability was partially eliminated by requiring total disability that could be expected to last for at least 12 months (or until death); also the 1-month reduction in the waiting period proposed in the House-approved bill was eliminated.

(4) The coverage of tips was changed from a "wages" basis to a "self-employment" basis, and the coverage of self-employed doctors was made retroactive for the calendar year 1965.

(5) A new provision was added to prevent undue duplication of workmen's compensation and disability insurance benefits. Under this provision, the latter benefits would be reduced if the aggregate benefits exceed 80 percent of "earnings". Under these circumstances, in general, "earnings" are measured by the highest covered earnings under the OASDI system in a 5-consecutive-year period, but with such average earnings being adjusted periodically in accordance with changes in the general level of earnings.

(6) Children disabled at ages 18-21 would be eligible for child's benefits if they continue to be disabled.

(7) The cost of rehabilitation services for certain disabled beneficiaries would be paid out of the trust funds, but with a maximum aggregate annual limitation of 1 percent of the disability benefits paid in the previous year. Such rehabilitation services could be paid for only with respect to individuals for whom the savings in future benefits could be expected to offset the rehabilitation costs.

(8) An unremarried widow or divorced wife would retain benefit rights acquired with respect to all previous husbands (but with the usual antiduplication provisions applying, so that only the largest benefit would be paid).

(9) A widow remarrying after age 60 (or a widower after age 62) would not have the previous widow's benefit terminate, but it would be reduced to 50 percent of her deceased husband's primary benefit (instead of remaining at the 82½-percent rate).

(10) The contribution schedule would be changed so that there would be a lower rate than in the House-approved bill for 1966-68 (reflecting the effect of the higher earnings base in the Senate Finance Committee bill), but a higher rate thereafter (reflecting the increase in cost that results primarily from the significant liberalization of the earnings test), see table 1.

(11) The allocation to the disability insurance trust fund would be increased to 0.70 percent of taxable payroll, with respect to the combined employer-employee rate (as against 0.75 percent in the House-

approved bill, the reduction being possible because of the elimination of most of the liberalizing features of that bill).

*(2) Changes made in Senate-approved bill*

The bill as passed by the Senate differs from the version reported by the Senate Finance Committee in the following ways:

(1) Persons meeting the so-called occupational blindness conditions would be eligible for monthly disability benefits if they have six quarters of coverage (earned at any time).

(2) Actuarially reduced benefits would be available for workers, wives, husbands, widowers, and parents first claiming them at ages 60 and 61 (the House-approved bill so provided for widows).

(3) The contribution schedule would be increased, as shown in table 1.

(4) The allocation to the disability insurance trust fund (on the employer-employee basis) would be increased to 0.76 percent of taxable payroll (as compared with 0.75 percent in the House-approved bill and 0.70 percent in the Senate Finance Committee bill).

B. SUMMARY OF ACTUARIAL COST ESTIMATES

The old-age, survivors, and disability insurance system, as modified by any of the three versions of the bill, has an estimated cost for benefit payments and administrative expenses that is very closely in balance with contribution income. This also was the case for the 1950 and subsequent amendments at the time they were enacted.

The old-age and survivors insurance system as modified by any of the three versions of the bill has been shown to be not quite self-supporting under the intermediate cost estimate. Nevertheless, there is close to an exact balance, especially considering that a range of variation is necessarily present in the long-range actuarial cost estimates and, further, that rounded tax rates are used in actual practice. Accordingly, the old-age and survivors insurance program, as it would be changed by any of the three versions of the bill, is actuarially sound.

The separate disability insurance trust fund, established under the 1956 act, shows either exact actuarial balance or a small favorable actuarial balance under the provisions that would be in effect after enactment of any of the three versions of the bill, because the contribution rate allocated to this fund is slightly more than the cost of the disability benefits, based on the intermediate cost estimate. Considering the variability of cost estimates for disability benefits, this small actuarial surplus is not significant. The disability insurance program, as it would be modified by any of the three versions of the bill, is actuarially sound.

C. FINANCING POLICY

*(1) Self-supporting nature of system*

The Congress has always carefully considered the cost aspects of the old-age, survivors, and disability insurance system when amendments to the program have been made. In connection with the 1950 amendments, the Congress stated the belief that the program should be completely self-supporting from the contributions of covered individuals and employers. Accordingly, in that legislation the provision permitting appropriations to the system from general revenues

of the Treasury was repealed. This policy has been continued in subsequent amendments. The Congress has always very strongly believed that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen and actuarially sound.

(2) *Actuarial soundness of system*

The concept of actuarial soundness as it applies to the old-age, survivors, and disability insurance system differs considerably from this concept as it applies to private insurance and private pension plans, although there are certain points of similarity with the latter. In connection with individual insurance, the insurance company or other administering institution must have sufficient funds on hand so that if operations are terminated, it will be in a position to pay off all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system and, moreover, is not always the case for well-administered private pension plans, which may not have funded all the liability for prior service benefits.

It can reasonably be presumed that, under Government auspices, such a social insurance system will continue indefinitely into the future. The test of financial soundness, then, is not a question of whether there are sufficient funds on hand to pay off all accrued liabilities. Rather, the test is whether the expected future income from tax contributions and from interest on invested assets will be sufficient to meet anticipated expenditures for benefits and administrative costs. Thus, the concept of "unfunded accrued liability" does not by any means have the same significance for a social insurance system as it does for a plan established under private insurance principles, and it is quite proper to count both on receiving contributions from new entrants to the system in the future and on paying benefits to this group. These additional assets and liabilities must be considered in order to determine whether the system is in actuarial balance.

Accordingly, it may be said that the old-age, survivors, and disability insurance program is actuarially sound if it is in actuarial balance. This will be the case if the estimated future income from contributions and from interest earnings on the accumulated trust fund investments will, over the long run, support the disbursements for benefits and administrative expenses. Obviously, future experience may be expected to vary from the actuarial cost estimates made now. Nonetheless, the intent that the system be self-supporting (and actuarially sound) can be expressed in law by utilizing a contribution schedule that, according to the intermediate-cost estimate, results in the system being in balance or substantially close thereto.

The committee believes that it is a matter for concern if the old-age, survivors, and disability insurance system shows any significant actuarial insufficiency. Traditionally, the view has been held that for the old-age and survivors insurance portion of the program, if such actuarial insufficiency has been no greater than 0.25 percent of payroll, when measured over perpetuity, it is at the point where it is within the limits of permissible variation. The corresponding point for the disability insurance portion of the system is about 0.05 percent of payroll (lower because of the relatively smaller financial magnitude of this program). Based on the recommendation of the 1963-64 Advisory Council on Social Security Financing (see app. V of the 25th Annual Report of the Board of Trustees of the

Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, H. Doc. No. 100, 89th Cong.), the cost estimates are now being made on a 75-year basis, rather than on a perpetuity basis. On this approach, the margin of variation from exact balance should be smaller—no more than 0.10 percent of taxable payroll for the combined old-age, survivors, and disability insurance program.

Furthermore, traditionally when there has been an actuarial insufficiency exceeding the limits indicated, any subsequent liberalizations in benefit provisions were fully financed by appropriate changes in the tax schedule or through raising the earnings base, and at the same time the actuarial status of the program was improved.

The changes provided in the several versions of the bill are in conformity with these financing principles.

#### D. ACTUARIAL BALANCE OF SYSTEM

Table 2 shows that according to the latest cost estimates made for the 1961 act there is an almost exact actuarial balance for the combined old-age, survivors, and disability insurance system, but that there is a deficit of 0.13 percent of taxable payroll for the disability insurance portion, and a favorable balance of 0.14 percent of taxable payroll for the old-age and survivors insurance portion.

Under each of the three versions of the bill, the benefit changes proposed would be approximately financed by the increases in the contribution rates and the earnings base, and the actuarial imbalance of the disability insurance system would be eliminated.

Table 3 traces through the change in the actuarial balance of the system from its situation under the 1961 act, according to the latest estimate, to that under the House-approved bill, by type of major changes involved, while table 4 gives similar data for the Senate Finance Committee bill, and table 5 relates to the Senate-approved bill. Table 6 traces through the change in the actuarial balance of the system for the Senate-approved bill as compared with the House-approved bill.

TABLE 2.—Actuarial balance of old-age, survivors, and disability insurance program under various bills, intermediate-cost basis

[Percent]

Legislation	Date of estimate	Level-equivalent <sup>1</sup>		
		Benefit costs <sup>2</sup>	Contributions	Actuarial balance <sup>3</sup>
Old-age, survivors, and disability insurance				
1961 act.....	1961	9.35	9.05	-0.30
1961 act.....	1963	9.33	9.02	-.31
1961 act (perpetuity basis).....	1964	9.36	9.12	-.24
1961 act (75-year basis).....	1964	9.09	9.10	+ .01
1965 bill (House).....	1965	9.44	9.36	-.08
1965 bill (Senate committee).....	1965	9.61	9.51	-.10
1965 bill (Senate).....	1965	9.73	9.64	-.09
Old-age and survivors insurance				
1961 act.....	1961	8.79	8.55	-0.24
1961 act.....	1963	8.69	8.52	-.17
1961 act (perpetuity basis).....	1964	8.72	8.62	-.10
1961 act (75-year basis).....	1964	8.46	8.60	+ .14
1965 bill (House).....	1965	8.73	8.61	-.12
1965 bill (Senate committee).....	1965	8.93	8.81	-.12
1965 bill (Senate).....	1965	8.97	8.88	-.09
Disability insurance				
1961 act.....	1961	0.56	0.50	-0.06
1961 act.....	1963	.64	.50	-.14
1961 act (perpetuity basis).....	1964	.64	.50	-.14
1961 act (75-year basis).....	1964	.63	.50	-.13
1965 bill (House).....	1965	.71	.75	+ .04
1965 bill (Senate committee).....	1965	.68	.70	+ .02
1965 bill (Senate).....	1965	.76	.76	.00

<sup>1</sup> Expressed as a percentage of effective taxable payroll, including adjustment to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate. Estimates prepared before 1964 are on a perpetuity basis, while those prepared after 1964 are on a 75-year basis. The estimates prepared in 1964 are on both bases (see text).

<sup>2</sup> Including adjustments (a) to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for the interest earnings on the existing trust fund, (c) for administrative expense costs, and (d) for the net cost of the financial interchange provisions with the railroad retirement system.

<sup>3</sup> A negative figure indicates the extent of lack of actuarial balance. A positive figure indicates more than sufficient financing, according to the particular estimate.

## ACTUARIAL COST ESTIMATES

TABLE 3.—Changes in actuarial balance of old-age, survivors, and disability insurance system, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, present law and House-approved bill, based on 3.50 percent interest

[Percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system.....	+0.14	-0.13	+0.01
Earnings base increase from \$4,800 to \$6,600.....	+ .48	+ .04	+ .52
Revised contribution schedule.....	- .03	+ .25	+ .22
Extensions of coverage.....	+ .03	-----	+ .03
7-percent benefit increase <sup>1</sup> .....	- .59	- .05	- .64
Earnings test liberalization.....	- .04	-----	- .04
Child's benefits to age 22 if in school.....	- .10	- .02	- .12
Reduced widow's benefits at age 60 <sup>2</sup> .....	-----	-----	-----
Disability definition revision <sup>3</sup> .....	-----	- .05	- .05
Transitional insured status for certain persons aged 72 and over.....	- .01	-----	- .01
Total effect of changes in bill.....	- .26	+ .17	- .09
Actuarial balance under bill.....	- .12	+ .04	- .08

<sup>1</sup> Includes also the effect of the minimum increase of \$4 in the primary insurance amount. The 7-percent increase does not apply beyond the first \$400 of average monthly wage; the same benefit factor underlying present law for average monthly wages in excess of \$110 applies for that portion of the average monthly wage above \$400.

<sup>2</sup> Includes also the cost of the provisions for paying benefits to certain divorced women.

<sup>3</sup> Includes the provision for permitting the payment of disability benefits after the individual has first become entitled to some other benefit.

TABLE 4.—Changes in actuarial balance of old-age, survivors, and disability insurance system, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, present law and Senate Finance Committee bill, based on 3.50 percent interest

[Percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system.....	+0.14	-0.13	+0.01
Earnings base increase from \$4,800 to \$6,600.....	+ .51	+ .04	+ .55
Revised contribution schedule.....	+ .18	+ .20	+ .38
Extensions of coverage.....	+ .03	-----	+ .03
7-percent benefit increase <sup>1</sup> .....	- .59	- .05	- .64
Earnings test liberalization.....	- .27	- .01	- .28
Child's benefits to age 22 if in school.....	- .10	- .02	- .12
Reduced widow's benefits at age 60 <sup>2</sup> .....	-----	-----	-----
Disability definition revision <sup>3</sup> .....	-----	- .01	- .01
Transitional insured status for certain persons aged 72 and over.....	- .01	-----	- .01
Broader definition of "child" <sup>4</sup> .....	- .01	-----	- .01
Total effect of changes in bill.....	- .26	+ .15	- .11
Actuarial balance under bill.....	- .12	+ .02	- .10

<sup>1</sup> Includes also the effect of the minimum increase of \$4 in the primary insurance amount. The 7-percent increase does not apply beyond the first \$400 of average monthly wage; the same benefit factor underlying present law for average monthly wages in excess of \$110 applies for that portion of the average monthly wage above \$400.

<sup>2</sup> Includes also the cost of the provisions for paying benefits to certain divorced women.

<sup>3</sup> Includes also the cost of the provision for permitting the payment of disability benefits after the individual has first become entitled to some other benefit and the savings arising from the offset provision when workmen's compensation benefits are also payable.

<sup>4</sup> Includes also the cost of the provision for paying child's benefits with respect to children disabled at ages 18 to 21.

TABLE 5.—Changes in actuarial balance of old-age, survivors, and disability insurance system, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, present law and Senate-approved bill, based on 3.50 percent interest

[Percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present systems.....	+0.14	-0.13	+0.01
Earnings base increase from \$4,800 to \$6,600.....	+ .51	+ .04	+ .55
Revised contribution schedule.....	+ .21	+ .26	+ .47
Extensions of coverage.....	+ .03	-----	+ .03
7-percent benefit increase <sup>1</sup> .....	- .59	- .05	- .64
Earnings test liberalization.....	- .27	- .01	- .28
Child's benefits to age 22 if in school.....	- .10	- .02	- .12
Reduced benefits at age 60 <sup>2</sup> .....	-----	-----	-----
Special insured status for blind persons.....	-----	- .08	- .08
Disability definition revision <sup>3</sup> .....	-----	- .01	- .01
Transitional insured status for certain persons aged 72 and over.....	- .01	-----	- .01
Broader definition of "child" <sup>4</sup> .....	- .01	-----	- .01
Total effect of changes in bill.....	- .23	+ .13	- .10
Actuarial balance under bill.....	- .09	+ .00	- .09

<sup>1</sup> Includes also the effect of the minimum increase of \$4 in the primary insurance amount. The 7-percent increase does not apply beyond the first \$400 of average monthly wage; the same benefit factor underlying present law for average monthly wages in excess of \$110 applies for that portion of the average monthly wage above \$400.

<sup>2</sup> Includes also the cost of the provisions for paying benefits to certain divorced women.

<sup>3</sup> Includes also the cost of the provision for permitting the payment of disability benefits after the individual has first become entitled to some other benefit and the savings arising from the offset provision when workmen's compensation benefits are also payable.

<sup>4</sup> Includes also the cost of the provision for paying child's benefits with respect to children disabled at ages 18 to 21.

TABLE 6.—Changes in actuarial balance of old-age, survivors, and disability insurance system, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, House-approved bill and Senate-approved bill, based on 3.50 percent interest

[Percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance under House-approved bill.....	-0.12	+0.04	-0.08
Earnings base increase to \$6,600 effective in 1966.....	+ .03	-----	+ .03
Revised contribution schedule.....	+ .21	- .05	+ .16
Earnings test liberalization.....	- .23	- .01	- .24
Changes in disability definition <sup>1</sup> .....	-----	+ .04	+ .04
Broader definition of "child" <sup>2</sup> .....	- .01	-----	- .01
Total effect of changes in Senate Finance Committee bill.....	.00	- .02	- .02
Actuarial balance under Senate Finance Committee bill.....	- .12	+ .02	- .10
Revised contribution schedule.....	+ .03	+ .06	+ .09
Actuarially reduced benefits at age 60.....	-----	-----	-----
Special disability insured status for blind persons.....	-----	- .08	- .08
Total effect of changes in Senate-approved bill.....	+ .03	- .02	+ .01
Actuarial balance under Senate-approved bill.....	- .09	.00	- .09

<sup>1</sup> Includes also the savings arising from the offset provision when workmen's compensation benefits are also payable.

<sup>2</sup> Includes also the cost of the provision for paying child's benefits with respect to children disabled at ages 18 to 21.

## E. INTERMEDIATE-COST ESTIMATES

*(1) OASI income and outgo in near future under House-approved bill*

Under the House-approved bill, old-age and survivors insurance benefit disbursements for the calendar year 1965 will be increased by about \$1.3 billion, since the effective dates for the benefit changes are January 1965 for the 7-percent benefit increase and child's benefits to age 22 while in school, and the second month after the month of enactment for most of the other changes. There will, of course, be no additional income during 1965, since the allocation rate increase and the change in the earnings base are effective on January 1, 1966.

In calendar year 1965, benefit disbursements under the old-age and survivors insurance system as modified by the House-approved bill will total about \$17.0 billion. At the same time, contribution income for old-age and survivors insurance in 1965 will amount to about \$16.0 billion under the House-approved bill, the same as under present law. Thus, benefit outgo will exceed contribution income by about \$1.0 billion, whereas under present law, contribution income is estimated to exceed benefit outgo by about \$370 million. The size of the old-age and survivors insurance trust fund under the House-approved bill will, on the basis of this estimate, decrease by about \$1.2 billion in 1965 (interest receipts are somewhat less than the outgo for administrative expenses and for transfers to the railroad retirement account); under present law, it is estimated that this trust fund would increase by about \$250 million as between the beginning and the end of 1965.

In 1966, benefit disbursements under the old-age and survivors insurance system as it would be modified by the House-approved bill will be about \$18.3 billion, or an increase of about \$1.8 billion over present law. Contribution income for old-age and survivors insurance for 1966 will be \$18.5 billion, or about the same as present law. Accordingly, in 1966, there will be an excess of contribution income over benefit outgo of about \$200 million. There will be an excess of contributions over benefit outgo of about \$500 million in 1967 and about \$400 million in 1968.

Under the system as modified by the House-approved bill, according to this estimate, the old-age and survivors insurance trust fund will be about the same size at the end of 1966 as at the beginning of the year. It will then increase by about \$240 million in 1967 and \$140 million in 1968, reaching \$18.3 billion at the end of 1968. In the next 2 years, as a result of the scheduled increase in the contribution rate in 1969, the trust fund will increase by about \$2 billion each year (see table 7).

TABLE 7.—Progress of old-age and survivors insurance trust fund under system as modified by House-approved bill, intermediate-cost estimate at 3.50 percent interest<sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year
Estimated data (short-range estimate)						
1965.....	\$16,014	\$16,987	\$350	\$399	\$565	\$17,968
1966.....	18,472	18,250	375	411	545	17,950
1967.....	19,714	19,190	361	497	567	18,193
1968.....	20,325	19,943	367	466	592	18,334
1969.....	22,920	20,785	375	475	642	20,261
1970.....	24,011	21,634	383	452	740	22,543
1971.....	25,936	22,546	391	428	866	25,980
1972.....	27,186	23,392	399	408	1,026	29,993

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> Payment to the railroad retirement account from the trust fund.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

(2) OASI income and outgo in near future under Senate-approved bill

Under the Senate-approved bill, old-age and survivors insurance benefit disbursements for the calendar year 1965 will be increased by about \$1.4 billion, since the effective dates for the benefit changes are January 1965 for the 7-percent benefit increase and child's benefits to age 22 while in school, and the second month after the month of enactment for most of the other changes. There will, of course, be no additional income during 1965, since the contribution rate increases and the change in the earnings base are effective on January 1, 1966.

In calendar year 1965, benefit disbursements under the old-age and survivors insurance system as modified by the Senate-approved bill will total about \$17 billion. At the same time, contribution income for old-age and survivors insurance in 1965 will amount to about \$16 billion, the same as under present law. Thus, benefit outgo will exceed contribution income by about \$1 billion, whereas under present law, contribution income is estimated to exceed benefit outgo by about \$370 million. The size of the old-age and survivors insurance trust fund will, on the basis of this estimate, decrease by about \$1.2 billion in 1965 (interest receipts are somewhat less than the outgo for administrative expenses and for transfers to the railroad retirement account); under present law, it is estimated that this trust fund would increase by about \$250 million as between the beginning and the end of 1965.

In 1966, benefit disbursements under the old-age and survivors insurance system as it would be modified by the Senate-approved bill will be about \$19.2 billion, or an increase of about \$2.8 billion over present law. Contribution income for old-age and survivors insurance for 1966 will be \$18.7 billion, or about \$0.2 billion more than under present law. Accordingly, in 1966, contribution income will be about \$550 million less than benefit outgo. Contribution income will be about the same as benefit outgo in 1967, but there will be an excess of benefits over contributions of about \$180 million in 1968.

Under the system as modified by the Senate-approved bill, according to this estimate, the old-age and survivors insurance trust fund will be about \$860 million lower at the end of 1966 than at the beginning of the year. It will then decrease by about \$440 million in 1967 and \$525 million in 1968, reaching \$16.1 billion at the end of 1968. These decreases result primarily from the effect of paying actuarially reduced benefits at age 60 (such additional outgo being "recovered" in future years). In the next 2 years, as a result of the scheduled increase in the contribution rate in 1969, the trust fund will increase by about \$3 to \$4 billion each year (see table 8).

TABLE 8.—Progress of old-age and survivors insurance trust fund under system as modified by Senate-approved bill, intermediate-cost estimate at 3.50-percent interest<sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year
Estimated data (short-range estimate)						
1965.....	\$16,014	\$17,036	\$359	\$436	\$570	\$17,878
1966.....	18,694	19,243	391	445	526	17,019
1967.....	20,274	20,330	369	534	519	16,579
1968.....	21,080	21,256	373	486	510	16,054
1969.....	25,235	22,163	381	502	571	18,814
1970.....	26,815	23,058	389	488	710	22,404
1971.....	27,667	23,960	397	455	866	26,125
1972.....	28,562	24,863	405	453	1,029	29,995

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> Payment to the railroad retirement account from the trust fund.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

### (3) DI income and outgo in near future under House-approved bill

Under the disability insurance system, as it would be affected by the House-approved bill in calendar year 1965, benefit disbursements will total about \$1,620 million, and there will be an excess of benefit disbursements over contribution income of about \$440 million. In 1966 and the years immediately following, contribution income will be well in excess of benefit outgo (as a result of the increased allocation to this trust fund and the increased taxable earnings base provided).

The disability insurance trust fund is estimated to decrease by about \$490 million in 1965 under the House-approved bill, as compared with a corresponding decrease of about \$330 million under present law; the greater decrease results primarily from the retroactive 7-percent benefit increase. The trust fund at the end of 1966 will be about the same size as at the beginning of the year, but after 1966 it will increase in every year.

TABLE 9.—Progress of disability insurance trust fund under system as modified by House-approved bill, intermediate-cost estimate at 3.50 percent interest <sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year
Estimated data (short-range estimate)						
1965.....	\$1, 187	\$1, 624	\$85	\$20	\$50	\$1, 555
1966.....	1, 840	1, 784	110	20	46	1, 527
1967.....	2, 044	1, 880	119	20	46	1, 598
1968.....	2, 109	1, 959	124	15	47	1, 656
1969.....	2, 177	2, 017	128	15	50	1, 723
1970.....	2, 246	2, 069	132	15	53	1, 806
1971.....	2, 426	2, 126	135	15	58	2, 014
1972.....	2, 543	2, 174	139	15	67	2, 296

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> Payment to the railroad retirement account from the trust fund.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

(4) *DI income and outgo in near future under Senate-approved bill*

Under the disability insurance system, as it would be affected by the Senate-approved bill in calendar year 1965, benefit disbursements will be about \$1.6 billion (or about \$145 million more than under present law), and there will be an excess of benefit disbursements over contribution income of about \$430 million. In 1966 and the years immediately following, contribution income will be well in excess of benefit outgo (as a result of the increased allocation to this trust fund, and the increased taxable earnings base, as provided by the bill).

The disability insurance trust fund is estimated to decrease by about \$490 million in 1965 under the Senate-approved bill, as compared with a corresponding decrease of about \$330 million under present law; the greater decrease results primarily from the retroactive 7-percent benefit increase. The trust fund at the end of 1966 will be about the same size as at the beginning of the year, but after 1966 it will increase in every year (see table 10).

TABLE 10.—*Progress of disability insurance trust fund under system as modified by Senate-approved bill, intermediate-cost estimate at 3.50-percent interest*<sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year
	Estimated data (short-range estimate)					
1965	\$1,187	\$1,615	\$85	\$24	\$51	\$1,561
1966	1,960	1,857	108	25	46	1,577
1967	2,224	1,991	130	30	48	1,688
1968	2,316	2,086	124	23	53	1,834
1969	2,399	2,169	124	27	59	1,972
1970	2,480	2,239	127	30	64	2,120
1971	2,559	2,307	130	34	70	2,278
1972	2,642	2,371	133	37	75	2,454

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> Payment to the railroad retirement account from the trust fund.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

(5) *Increases in benefit disbursements in 1966, by cause, under House-approved bill*

The total benefit disbursements of the old-age, survivors, and disability insurance system would be increased by about \$2.1 billion in 1966 as a result of the changes that the House-approved bill would make. Of this amount, about \$1.43 billion results from the 7-percent benefit increase, \$195 million from the benefit payments to children aged 18–21 who are in full-time school attendance, \$165 million from the benefit payments to widows aged 60–61, \$140 million from the liberalization of the insured-status provisions for certain persons aged 72 and over, \$105 million from the liberalization of the definition of disability, and \$65 million from the liberalization of the earnings test (the corresponding figure for this change for subsequent years will be about twice as large).

(6) *Increases in benefit disbursements in 1966, by cause under Senate-approved bill*

The total benefit disbursements of the old-age, survivors, and disability insurance system would be increased by about \$3.2 billion in 1966 as a result of the changes that the Senate-approved bill would make. Of this amount, about \$1.47 billion results from the 7-percent benefit increase, \$195 million from the benefit payments to children aged 18–21 who are in full-time school attendance, \$590 million from the benefit payments to persons aged 60–61, \$140 million from the liberalization of the insured-status provisions for certain persons aged 72 and over, \$40 million from the liberalization of the definition of disability, \$590 million from the liberalization of the earnings test (the corresponding figure for this change for subsequent years will be about 25 percent higher), \$10 million for the broader definition of "child," \$10 million for paying benefits to children disabled at ages 18–21, and \$120 million from benefit payments to newly eligible "industrially" blind persons and their dependents (such figure for subsequent years will be significantly higher).

## II. ACTUARIAL COST ESTIMATES FOR THE HOSPITAL INSURANCE SYSTEM

## A. INTRODUCTION

This portion of the report presents actuarial cost estimates for the hospital insurance system that would be established by the bill. The three versions of the bill differ to some extent as to the benefit provisions (and, accordingly, also as to the financing provisions), although in general the structures of the program are similar.

From an actuarial cost standpoint, the major changes made by the Senate Finance Committee bill as compared with the House-approved bill are as follows:

(1) The services of certain medical specialists (radiologists, anesthesiologists, pathologists, and physiatrists) would be included under this system (rather than under the voluntary supplementary plan) when such services are provided under an arrangement with the hospital and are billed through the hospital.

(2) The maximum number of home health service visits within a 1-year period would be increased from 100 to 175.

(3) The maximum number of hospital days within a spell of illness would be increased from 60 to 120 (but with coinsurance of \$10 a day, initially, for days in excess of 60).

(4) Hospitalization in psychiatric hospitals would be included under this system (rather than under the voluntary supplementary plan).

(5) The outpatient diagnostic benefits would have coinsurance of 20 percent, and the deductible (initially \$20) would not be credited against the hospital-benefit deductible (but rather would be credited against the \$50 deductible in the voluntary supplementary plan).

(6) The financing provisions would be changed so as to meet the net additional costs resulting from the foregoing changes (the financing changes being described in detail subsequently).

The Senate-approved bill made the following important changes, from a cost standpoint, in the Senate Finance Committee bill:

(1) The requirement of prior hospitalization for home health service benefits would be eliminated.

(2) The maximum on the number of hospital days for which benefits would be available was eliminated (but with coinsurance continuing to be applicable after the 60th day).<sup>1</sup>

(3) The financing provisions would be modified in order to meet the additional costs of the foregoing changes (as described in detail later).

## B. SUMMARY OF ACTUARIAL COST ESTIMATES

The hospital insurance system established by each of the three versions of the bill has an estimated cost for benefit payments and administrative expenses that is in long-range balance with contribution income. It is recognized that the preparation of cost estimates for

<sup>1</sup> According to the actual language of the amendment, the cost of hospitalization in excess of 60 days (after allowing for the effect of the coinsurance) would be paid from general revenues. The Senate Finance Committee bill provided for the cost of the 61st to 120th day (after allowing for the coinsurance) to be met from the trust fund (and the necessary financing was provided). The discussion during the Senate debate indicated that the removal of the 120-day maximum would be financed in the same manner (rather than applying general revenue financing for all days in excess of 60); in fact, a subsequent amendment provided sufficient financing to do so. Accordingly, in this report, it is assumed that the amendment had a drafting error and that financing of the liberalization was intended to be from the trust fund, with appropriate contribution provisions. If this were not the case, then the first-year cost from general revenues would be about \$120 million, but at the same time the estimated level cost of the contributory program would be reduced by 0.06 percent of taxable payroll.

hospitalization and related benefits is much more difficult and is much more subject to variation than cost estimates for the cash benefits of the old-age, survivors, and disability insurance system. This is so not only because the hospital insurance program would be newly established, with no past operating experience, but also because of the greater number of variable factors involved in a service benefit program than in a cash benefit one. However, the committee believes that the cost estimates are made under very conservative assumptions with respect to all foreseeable factors.

### C. FINANCING POLICY

#### (1) *Financing basis of bills*

The contribution schedules contained in the House-approved bill, the Senate Finance Committee bill, and the Senate-approved bill for the hospital insurance program are as follows:

Calendar year	Employer-employee rate (percent)			Self-employed rate (percent)		
	House-approved bill	Senate Finance Committee bill	Senate-approved bill	House-approved bill	Senate Finance Committee bill	Senate-approved bill
1966-----	0.70	0.65	0.65	0.35	0.325	0.325
1967-70-----	1.00	1.00	1.00	.50	.50	.50
1971-72-----	1.00	1.10	1.10	.50	.55	.55
1973-75-----	1.10	1.20	1.30	.55	.60	.65
1976-79-----	1.20	1.30	1.40	.60	.65	.70
1980-86-----	1.40	1.50	1.60	.70	.75	.80
1987 and after-----	1.60	1.70	1.70	.80	.85	.85

The maximum taxable earnings base under the House-approved bill would be \$5,600 in 1966-70 and \$6,600 thereafter. Under the Senate Finance Committee bill and under the Senate-approved bill, the base would be \$6,600 for all years after 1965.

The hospital insurance program would be completely separate from the old-age, survivors, and disability insurance system in several ways, although the earnings base would be the same under both programs. *First*, the schedules of tax rates for old-age, survivors, and disability insurance and for hospital insurance are in separate subsections of the Internal Revenue Code (unlike the situation for old-age and survivors insurance as compared with disability insurance, where there is a single tax rate for both programs, but an allocation thereof into two portions). *Second*, the hospital insurance program has a separate trust fund (as is also the case for old-age and survivors insurance and for disability insurance) and, in addition, has a separate Board of Trustees from that of the old-age, survivors, and disability insurance system. *Third*, the bill provides that income tax withholding statements (forms W-2) shall show the proportion of the total contribution for old-age, survivors, and disability insurance and for hospital insurance that is with respect to the latter. *Fourth*, under the House-approved bill, this program would cover railroad workers directly, whereas under the Senate-approved bill, until the railroad retirement system has at least as large a maximum earnings base as does the hospital insurance program, this program would, as in the House-approved bill, cover railroad employees directly in the same

manner as other covered workers, and their contributions would go directly into the hospital insurance trust fund and their benefit payments would be paid directly from this trust fund (rather than directly or indirectly through the railroad retirement system), whereas these employees are not covered by old-age, survivors, and disability insurance (except indirectly through the financial interchange provisions); thereafter, the Railroad Retirement Board would administer the hospital insurance program for railroad employees and annuitants, and the financial interchange provisions would be operative, just as they are for the cash benefits programs. *Fifth*, the financing basis for the hospital insurance system is determined under a different approach than that used for the old-age, survivors, and disability insurance system, reflecting the different natures of the two programs (by assuming rising earnings levels and rising hospitalization costs in future years instead of level-earnings assumptions and by making the estimates for a 25-year period rather than a 75-year one). *Sixth*, the self-employed contribute for hospital insurance at the same rate as do employees, whereas under old-age, survivors, and disability insurance the self-employed contribute at about  $1\frac{1}{2}$  times the employee rate until 1973 (and thereafter at slightly less than this ratio).

*(2) Self-supporting nature of system*

Just as has always been the case in connection with the old-age, survivors, and disability insurance system, the committee has very carefully considered the cost aspects of the proposed hospital insurance system. In the same manner, the committee believes that this program should be completely self-supporting from the contributions of covered individuals and employers (the transitional uninsured group that would be covered by this program would have their benefits, and the resulting administrative expenses, completely financed from general revenues, under the provisions of the bill). Accordingly, the committee very strongly believes that the tax schedule in the law should make the hospital insurance system self-supporting over the long range as nearly as can be foreseen, as well as actuarially sound.

*(3) Actuarial soundness of system*

The concept of actuarial soundness as it applies to the hospital insurance system is somewhat similar to that concept as it applies to the old-age, survivors, and disability insurance system (see discussion of this topic in a preceding section), but there are important differences.

One major difference in this concept as it applies between the two different systems is that cost estimates for the hospital insurance program should desirably be made over a period of only 25 years in the future, rather than 75 years as in connection with the old-age, survivors, and disability insurance program. A shorter period for the hospital insurance program is necessary because of the greater difficulty in making forecast assumptions for a service benefit than for a cash benefit. Although there is reasonable likelihood that the number of beneficiaries aged 65 and over will tend to increase over the next 75 years when measured relative to covered population (so that a period of this length is both necessary and desirable for studying the cost of the cash benefits under the old-age, survivors, and disability insurance program), it is far more difficult to make reasonable assumptions as to the trends of medical care costs and practices for more than 25 years in the future.

In starting a new program such as hospital insurance, it seems desirable to the committee that the program should be completely in actuarial balance. In order to accomplish this result, the committee has developed a contribution schedule that will meet this requirement, according to the underlying cost estimates.

#### D. HOSPITALIZATION ASSUMPTIONS

The same conservative assumptions have been used for the actuarial cost estimates for each of the three versions of the bill. For details on these assumptions, see pages 49 to 55 of House Report No. 213, 89th Congress.

#### E. ACTUARIAL COST ESTIMATES

##### (1) *Level-costs of hospital and related benefits*

Table 11 shows the level-cost of the hospital and related benefits under the three versions of the bill as a percentage of taxable payroll. These figures are based on the assumptions that the earnings base as incorporated in the particular bill will not change in the future and that both hospitalization costs and general earnings will continue to rise during the entire 25-year period considered in the cost estimates. Also shown in table 11 are the level-equivalents of the contribution schedules and the net actuarial balances of the system.

TABLE 11.—*Level-cost analysis for hospital insurance trust fund, under various versions of bill*

Bill	Level-cost of benefits <sup>1</sup>	Level-equivalent of contributions	Actuarial balance
House-approved.....	1.23	1.23	0.00
Senate Finance Committee.....	1.31	1.32	+ .01
Senate-approved.....	1.35	1.37	+ .02

<sup>1</sup> Including administrative expenses.

The estimated level-cost of the hospital and related benefits consists predominantly of the cost of the hospital benefits. It does not seem feasible to attempt to subdivide the cost for the hospital benefits and the extended care facility benefits between these two categories. In the early years, virtually all of such costs will be for hospital benefits. Perhaps only about \$25 to \$50 million will be expended in 1967 for extended care facility benefits. In later years, it seems quite possible that greater use of posthospital extended care services will be made, thus tending to reduce the use of hospitals. From a cost standpoint, then, it seems desirable to consider hospital benefits and extended care facility benefits in combination. The level cost of outpatient hospital diagnostic benefits is estimated at 0.01 percent of taxable payroll, with the cost in the first full year of operations being about \$10 million. Finally, the estimated level-cost of the home health benefits is 0.04 percent of taxable payroll under the House-approved bill and 0.06 percent under the Senate-approved bill, figures that allow for a considerable expansion of these services in the future (with the cost in the first full year of operations being estimated at less than \$10 million).

Table 12 indicates the changes in the actuarial balance of the hospital insurance program due to various changes made in the Senate-approved bill, as compared with the House-approved bill.

TABLE 12.—Changes in actuarial balance of hospital insurance system, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, House-approved bill and Senate-approved bill, based on 3.50 percent interest.

Item	[Percent]	Level-cost
Actuarial balance under House-approved bill.....		0.00
Earnings base of \$6,600 in all future years.....		+.01
Revised contribution schedule.....		+.09
Inclusion of services of medical specialists <sup>1</sup> .....		-.05
Increase in maximum home health services visits.....		-.01
Increase in maximum hospital benefit days.....		-.04
Inclusion of psychiatric hospitals.....		-.01
Transfer of outpatient diagnostic deductible to supplementary plan and introduction of 20 percent coinsurance.....		+.02
Actuarial balance under Senate Finance Committee bill.....		+.01
Revised contribution schedule.....		+.05
Removal of limit on hospital days.....		-.02
Removal of hospital requirement for home health services.....		-.02
Actuarial balance under Senate-approved bill.....		+.02

<sup>1</sup> Radiologists, anesthesiologists, pathologists, and physiatrists.

As indicated previously, one of the most important basic assumptions in the cost estimates presented here is that the earnings base is assumed to remain unchanged after it increases from present law to what is provided in each of the bills, even though for the period considered (up to 1990) the general earnings level is assumed to rise at a rate of 3 percent annually. If the earnings base does rise in the future to keep up to date with the general earnings level, then the contribution rates required would be lower than those scheduled in the two versions of the bill. In fact, if this were to occur, the steps in the contribution schedule beyond the combined employer-employee rate of 1.0 percent for the House-approved bill and 1.1 percent for the Senate-approved bill would not be needed. Furthermore, under the foregoing conditions, if the hospital utilization experience followed the intermediate-cost assumptions made previously in Actuarial Study No. 59 of the Social Security Administration (increased by 10 percent for the estimates presented in this report), and if all other conditions (such as the relationship of hospitalization costs and general earnings) developed as they are set forth in the assumptions, then it is possible that the combined employer-employee contribution rate would not have to increase beyond 1 percent.

(2) *Number of persons protected on July 1, 1966*

It is estimated that on July 1, 1966, the total population of the United States (including American Samoa, Guam, Puerto Rico, and the Virgin Islands) who are aged 65 and over will be 19.10 million (after allowance for underenumeration in the census counts and in population projections based thereon).

The total number of such persons who are estimated to be eligible for the hospital and related benefits on the basis of insured status under the old-age, survivors, and disability insurance system and the

railroad retirement system is 16.90 million, of whom 16.08 million are insured under old-age, survivors, and disability insurance only, 0.56 million are insured under railroad retirement only, and 0.26 million are insured under both systems. Of the remaining 2.20 million, about 1.95 million under the House-approved bill and 2.00 million under the Senate-approved bill are estimated to be eligible for the hospital and related benefits under the transitional provision on eligibility of presently uninsured individuals, as contained in the two versions of the bill. The remaining persons are not eligible for hospital and related benefits because they are active or retired employees with more comprehensive benefits under the Federal Employees Health Benefits Act of 1959 (almost 200,000 persons), because they are alien residents who do not meet the residence and other requirements, or because they are subversives.

The cost for the persons who would be blanketed in for the hospital and related benefits is met from the general fund of the Treasury (with the financial transactions involved passing through the hospital insurance trust fund). The costs so involved, along with the financial transactions, are not included in the preceding cost analysis or in the following discussions of the progress of the hospital insurance trust fund. A later portion of this section, however, discusses these costs for the blanketed-in group.

(3) *Future operations of hospital insurance trust fund*

Table 13 shows the estimated operation of the hospital insurance trust fund under the House-approved bill. According to this estimate, the balance in the trust fund would grow steadily in the future, increasing from about \$560 million at the end of 1966 to \$1.9 billion 5 years later. Over the long range, the trust fund would build up steadily, reaching \$9.9 billion in 1990 (representing the benefit outgo for 1.1 years at the level of that time).

TABLE 13.—*Estimated progress of hospital insurance trust fund under House-approved bill*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
1966.....	\$1, 578	\$983	<sup>1</sup> \$50	\$17	\$562
1967.....	2, 601	2, 192	66	20	925
1968.....	2, 790	2, 391	72	34	1, 286
1969.....	2, 879	2, 607	78	45	1, 525
1970.....	2, 983	2, 840	85	50	1, 633
1971.....	3, 327	3, 055	92	55	1, 868
1972.....	3, 488	3, 280	98	60	2, 038
1973.....	3, 929	3, 516	105	68	2, 414
1974.....	4, 120	3, 760	113	77	2, 738
1975.....	4, 267	4, 018	121	84	2, 950
1980.....	6, 123	5, 276	158	140	5, 018
1985.....	7, 038	6, 823	205	236	7, 681
1990.....	9, 030	8, 754	263	306	9, 948

<sup>1</sup> Including administrative expenses incurred in 1965.

NOTE.—The transactions relating to the noninsured persons, the cost for whom is borne out of the general funds of the Treasury, are not shown in the above figures.

Table 14 shows the estimated operation of the hospital insurance trust fund under the Senate-approved bill. According to this estimate, the balance in the trust fund would grow steadily in the future,

increasing from about \$450 million at the end of 1966 to \$1.4 billion 5 years later. Over the long range, the trust fund would build up steadily, reaching \$13.2 billion in 1990 (representing the outgo for 1.3 years at the level of that time). The balance in the trust fund at the end of each calendar year in the early years of operation would be somewhat larger than shown in table 14 if the appropriations from the general fund of the Treasury are made at the beginning of each fiscal year (as a provision added by the Senate-approved bill would permit). If this is done at the beginning of fiscal year 1967 (on July 1, 1966), the balance in the trust fund at the end of calendar year 1966 will be about \$150 million higher.

Table 14 is based on the assumption that the hospital and related benefits for railroad workers and annuitants will be administered through the hospital insurance trust fund. However, if the maximum earnings base under the Railroad Retirement Tax Act is increased to at least that under the hospital insurance system, thereafter the Railroad Retirement Board will administer these benefits and will receive the contributions (at the same rate) from railroad workers. At the same time, the financial interchange provisions which are applicable under present law to the cash benefits would be operative for the hospital and related benefits. As a result, there would be no net financial effect on the hospital insurance program whether or not such transfer of administration occurs.

TABLE 14.—*Estimated progress of hospital insurance trust fund under Senate-approved bill*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
1966	\$1,548	\$1,065	<sup>1</sup> \$55	\$15	\$443
1967	2,766	2,403	72	14	748
1968	3,025	2,632	79	25	1,087
1969	3,120	2,882	86	35	1,274
1970	3,225	3,153	95	37	1,288
1971	3,609	3,393	102	39	1,441
1972	3,776	3,642	109	41	1,507
1973	4,565	3,903	117	51	2,103
1974	4,846	4,176	126	70	2,717
1975	5,043	4,461	134	86	3,251
1980	7,014	5,852	175	201	7,032
1985	8,043	7,563	227	359	11,509
1990	9,595	9,699	291	421	13,254

<sup>1</sup> Including administrative expenses incurred in 1965.

NOTE.—The transactions relating to the noninsured persons who would be covered for the benefits of this program, the cost for whom is borne out of the general funds of the Treasury, are not shown in the above figures. The figures in this table are based on the assumption that railroad workers will be covered directly by this program. (See table 15 for data on the basis that the Railroad Retirement Board will administer their benefits.)

Under the circumstances of such a transfer, both the contributions and the benefit payments made directly through the hospital insurance trust fund would be lower than shown in table 14. The extent of the decrease in benefit payments and the size of the financial interchange payments will depend on the extent to which persons eligible under both the railroad system and the hospital insurance system choose to receive their payments through the former. The financial results are shown in table 15 under the extreme assumption that all dual eligibles elect to receive benefits through the railroad system. To the extent

that this does not occur, the figures shown for benefit payments and the financial interchange payments will be lower.

Not included in the figures in table 15 are any excesses of contributions collected by the railroad retirement system over the amount to be credited, through the financial interchange, to the hospital insurance trust fund; such excesses would result if the railroad retirement earnings base is higher than that under hospital insurance. Conversely, the contributions collected by the railroad retirement system could be slightly lower than the amount to be credited to the hospital insurance trust fund if the two earnings bases are the same, since the railroad retirement base is on a monthly basis, rather than an annual one (for example, an individual earning \$500 per month for 6 months of a year and \$600 per month for the other 6 months would have all his wages covered under a \$6,600 annual base, but not under a \$550 monthly base). There could also be a difference if subsequently the railroad retirement base were not increased as rapidly as any increases that might occur in the hospital insurance base. In any event, the hospital insurance trust fund receives the same amount, and the railroad retirement account has either an excess or a deficit in this respect.

Also not included in table 15 are the benefit costs of certain services furnished in Canada that are available only to railroad eligibles. These have an estimated cost initially of about \$200,000 per year, financed entirely by the railroad retirement system, and are not involved in the financial interchange transactions.

TABLE 15.—*Estimated financial results if railroad workers and annuitants receive hospital and related benefits through railroad retirement account under Senate-approved bill*

[In millions]

Calendar year	Contributions <sup>1</sup>	Benefit payments and administrative expenses <sup>1 2</sup>	Financial interchange payment <sup>2 3</sup>
1966.....	\$29	\$39	\$10
1967.....	48	85	37
1968.....	50	92	42
1969.....	50	96	46
1970.....	50	102	52
1971.....	54	106	52
1972.....	55	109	54
1973.....	64	112	48
1974.....	65	116	51
1975.....	65	118	53
1980.....	79	120	41
1985.....	80	120	40
1990.....	85	117	32

<sup>1</sup> Amounts involved in the financial interchange transactions.

<sup>2</sup> Based on the assumption that all dual eligibles elect to receive benefits from the railroad retirement system.

<sup>3</sup> Payments from the hospital insurance trust fund to the railroad retirement account (shown on an accrual basis).

(4) *Cost estimate for hospital benefits for noninsured persons paid from general funds*

The bills would provide hospital and related benefits not only for beneficiaries of the old-age, survivors, and disability insurance system and the railroad retirement system, but also for most persons aged 65 and over in 1966 (and for many of those attaining this age in the next few years) who are not insured under either of these two social insurance systems. Such benefit protection would be provided to any person aged 65 and over on July 1, 1966, who is not eligible as an old-age, survivors, and disability insurance or railroad retirement beneficiary and who (a) is not an employee of the Federal Government or a retired Federal employee enrolled or eligible to enroll for health benefits under the Federal Employees Health Benefits Act of 1959, or the wife or widow of such an individual (under the Senate-approved bill, only those actually enrolled are not eligible); (b) is not a member of a subversive organization and has not been convicted of subversive activities; and (c) is a citizen or is an alien lawfully admitted for permanent residence who has had at least 10 years of continuous residence (under the Senate-approved bill, only 6 months of residence).

Persons meeting such conditions who attain age 65 before 1968 also would qualify for the hospital benefits, while those attaining age 65 after 1967 must have some old-age, survivors, and disability insurance or railroad retirement coverage to qualify; namely, three quarters of coverage (which can be acquired at any time after 1936) for each year elapsing after 1965 and before the year of attainment of age 65 (e.g., six quarters of coverage for attainment of age 65 in 1968, nine quarters for 1969, etc.). This transitional provision "washes out" for men attaining age 65 in 1974 and for women attaining age 65 in 1972, since the fully insured status requirement for monthly benefits for such categories is then no greater than the special insured status requirement.

The benefits for the "noninsured" group would be paid from the health insurance trust fund, but with reimbursement therefor from the general fund of the Treasury on a current basis.

The estimated cost to the general fund of the Treasury for the hospital and related benefits for the noninsured group is as follows for the first 5 calendar years of operation (in millions):

	Cost to General Treasury	
	House-approved bill	Senate-approved bill
Calendar year:		
1966 (last 6 months) .....	\$140	\$150
1967 .....	275	295
1968 .....	270	285
1969 .....	260	280
1970 .....	250	270

The cost to the general fund of the Treasury decreases slowly for the closed group involved. Offsetting, in large part, the decline in the number of eligibles blanketed in is the increasing hospital utilization per capita as the average age of the group rises and the increasing hospitalization costs in future years.

## III. ACTUARIAL COST ESTIMATES FOR VOLUNTARY SUPPLEMENTARY MEDICAL INSURANCE SYSTEM

## A. INTRODUCTION

This portion of this report presents the actuarial cost estimates for the voluntary supplementary health benefits program that would be established by each of the three versions of the bill. This program is termed "supplementary health insurance benefits" by the House-approved bill and "supplementary medical insurance" by the Senate Finance Committee bill and by the Senate-approved bill (for convenience, the latter term will be used in some instances hereafter in this report).

From a cost standpoint, the only significant changes that were made in the Senate Finance Committee bill as compared with the House-approved bill were those that have been indicated in the previous discussion of the hospital insurance system (see items (1), (4), and (5) in sec. II-A), except that the starting date was postponed from July 1, 1966, to January 1, 1967, and the initial period for the prescribed premium rates would last for 2 years rather than 1½ years. No significant changes in this respect were made in the Senate-approved bill as compared with the Senate Finance Committee bill.

## B. SUMMARY OF ACTUARIAL COST ESTIMATES

The supplementary medical insurance system that would be established by each of the three versions of the bill has an estimated cost for benefit payments incurred and for administrative expenses that would adequately be met during the initial period of operation by the individual premium rates prescribed plus the equal matching contributions from the general fund of the Treasury. Under the House-approved bill, the initial premium rate would continue for the initial period from the starting date on July 1, 1966, through December 31, 1967; under both of the Senate versions of the bill, the initial premium rate would be applicable during the initial period from January 1, 1967, through December 31, 1968. In subsequent years, the bill provides for appropriate adjustment of the premium rates so as to assure that the program will be adequately financed, along with the establishment of sufficient contingency reserves. Although provision is made for an advance appropriation from general revenues to provide a contingency reserve during the initial period, it is believed that this will not actually have to be drawn upon, but nonetheless it serves as a desirable safeguard to the financing basis of the program.

## C. FINANCING POLICY

*(1) Self-supporting nature of system*

The supplementary medical insurance program can be voluntarily elected, on an individual basis, by virtually all persons aged 65 and over in the United States (excluding only those aliens who have not been lawfully admitted for permanent residence or under the Senate-approved bill, who have not had 10 continuous years of residence). This program is intended to be completely self-supporting from the contributions of covered individuals and from the equal-matching

contributions from the general fund of the Treasury. During the initial period, the premium rate is established at \$3 per month, so that the total income of the system per participant per month will be \$6. Persons who do not elect to come into the system at as early a time as possible will generally have to pay a higher premium rate than \$3. After the initial period, the monthly premium rate can be adjusted for future years, so as to reflect the expected experience, including an allowance for a margin for contingencies. All financial operations for this program would be handled through a separate fund, the supplementary medical insurance trust fund.

The bill also provides for establishment of an advance appropriation from the general funds of the Treasury that will serve as an initial contingency reserve in an amount equal to \$18 (or 6 months' per capita contributions from the general funds of the Treasury) times the number of individuals who are estimated to be eligible for participation (an estimated 19.1 million persons on July 1, 1966, the starting date of the House-approved bill, and 19.25 million persons on January 1, 1967, the starting date of the Senate versions). This amount, which is approximately \$345 million in either case, would be appropriated, but it would not actually be transferred to the supplementary medical insurance trust fund unless, and until, some of it would be needed. This contingency amount would be available only during the initial period, and any amounts actually transferred to the trust fund would be subject to repayment to the general funds of the Treasury (without interest).

(2) *Actuarial soundness of system*

The concept of actuarial soundness for the old-age, survivors, and disability insurance system and for the hospital insurance system is somewhat different than that for the supplementary medical insurance program. In essence, the last system is on a "current cost" financing basis, rather than on a "long-range cost" financing basis. The situations are essentially different because the financial support of the supplementary medical insurance system comes from a premium rate that is subject to change from time to time, in accordance with the experience actually developing and with the experience anticipated in the near future. The actuarial soundness of the supplementary medical insurance program, therefore, depends only upon the "short-term" premium rates being adequate to meet, on an accrual basis, the benefit payments and administrative expenses over the period for which they are established (including the accumulation and maintenance of a contingency fund).

D. RESULTS OF COST ESTIMATES

(1) *Cost assumptions*

Only a relatively small amount of data is available in regard to the physicians' services and other medical services that would be covered by the supplementary medical insurance system. The cost estimates used in determining the premium rate to be charged to individuals, along with the matching Government contribution, have utilized data from the experience under the Federal Employees Health Benefits Act of 1959 for persons aged 65 and over, the experience under the Connecticut 65 program, and various information obtained by the

National Health Survey conducted on a periodic basis by the Public Health Service of the Department of Health, Education, and Welfare.

The cost estimates have been made on a conservative basis—as seems essential in a newly established program of this type for persons aged 65 and over, most of whom have not previously had such insurance. It is believed that the \$6 total per capita income of the system (from the premiums of the individuals and the matching Government contributions) will be fully adequate to meet the costs of administration and the benefit payments incurred, as well as to build up a relatively small contingency reserve. It is believed that there will be no need to draw upon the advance appropriation that is provided from general revenues.

Two cost estimates have been presented in regard to the possible per capita cost. Under the low-cost estimate, the benefits and administrative expenses will, on an accrual basis, represent about 70 to 75 percent of the contribution income, whereas under the high-cost estimate, the corresponding ratio will be about 95 to 100 percent.

In an individual voluntary-election program such as this, it is impossible to predict accurately in advance what proportion of those eligible to participate in the program will actually do so. Accordingly, the cost estimates have been presented on two bases—an assumed 80-percent participation and an assumed 95-percent participation. Both of these estimates assume that virtually all State public assistance agencies will “buy in” for their old-age assistance recipients.

The same per capita costs have been used for the two participation assumptions. It could be argued that with less than complete coverage, such as the 80-percent assumption, there would be anti-selection against the program and that thus a higher per capita cost should be used. Although there may be some validity to this argument, there is the point on the other side of the question that those who do not participate will consist, to a considerable extent, of uninformed persons with low incomes who will not see the need or have the foresight to participate. The per capita cost for this category will not be significantly lower than the average. Furthermore, the experience under group health insurance indicates that 75-percent participation is adequate protection against anti-selection.

It is recognized that there could be a very considerable element of anti-selection in an individual voluntary program such as this, if the insured person were required to pay the full cost. However, since under the supplementary medical insurance program, half of the premium is paid from general revenues, the amount paid by the individual is low enough to be very attractive to even the lowest cost groups.

If participation should fall to a very low level, the per capita cost would rise substantially due to anti-selection. In this event, however, the initial contingency fund would be a correspondingly larger proportion of the income received.

(2) *Short-range operations of trust fund*

Table 16 presents estimates of the operation of the supplementary health insurance benefits trust fund under the House-approved bill for 1966-67. As indicated previously, four sets of estimates are given, under different assumptions as to low-cost and high-cost estimates and low and high participation. A significant balance in the trust fund develops in 1966, because of the lag involved in making benefit

payments, since there are the factors of administrative processing and of the deductible that must be met first before any benefits are payable. In this respect, it will be noted that the income from premium payments by individuals will go into the trust fund beginning in the early part of July 1966, and the matching Government contributions will go into the trust fund simultaneously.

Under the low-cost estimates, the trust fund is estimated to have a balance of about \$300 to \$350 million at the end of 1966, and between \$600 and \$700 million at the end of 1967. On the other hand, under the high-cost estimates, the balance in the trust fund at the end of 1966 will be between \$200 and \$250 million, and will remain at substantially this level during 1967.

TABLE 16.—Estimated progress of supplementary health insurance benefits trust fund under House-approved bill

[In millions]

Calendar year	Contributions		Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
	Participants	Government				
Low-cost estimate, 80-percent participation						
1966 <sup>1</sup> .....	\$275	\$275	\$195	\$65	\$5	\$295
1967.....	660	560	765	75	15	590
Low-cost estimate, 95-percent participation						
1966 <sup>1</sup> .....	\$325	\$325	\$230	\$80	\$5	\$345
1967.....	665	665	905	90	20	700
High-cost estimate, 80-percent participation						
1966 <sup>1</sup> .....	\$275	\$275	\$260	\$85	\$5	\$210
1967.....	560	560	1,025	95	10	220
High-cost estimate, 95-percent participation						
1966 <sup>1</sup> .....	\$325	\$325	\$310	\$100	\$5	\$245
1967.....	665	665	1,220	110	10	255

<sup>1</sup> Contributions would be collected only during the last 6 months of 1966, and benefit payments would likewise be payable only during that period.

NOTE.—Not included above is the advance appropriation from general revenues that is to provide a contingency reserve during fiscal year 1966-67 (to be used only if needed and to be repayable.)

Table 17 presents estimates of the operation of the supplementary medical insurance trust fund under the Senate-approved bill for 1967-68. As indicated previously, four sets of estimates are given, under different assumptions as to low- and high-cost estimates and as to low and high participation. A significant balance in the trust fund develops in 1967, because of the lag involved in making benefit payments, since there are the factors of administrative processing and of the deductible that must be met first before any benefits are payable. In this respect, it will be noted that the income from premium payments by individuals will go into the trust fund beginning in the early part of January 1967, and the matching Government contributions will go into the trust fund simultaneously.

Under the low-cost estimates, the trust fund is estimated to have a balance of \$455 to \$540 million at the end of 1967, and between \$695 and \$825 million at the end of 1968. On the other hand, under the high-cost estimates, the balance in the trust fund at the end of 1967 will be between \$315 and \$385 million, and will be about \$50 million higher at the end of 1968.

TABLE 17.—*Estimated progress of supplementary medical insurance trust fund under Senate-approved bill*

[In millions]

Calendar year	Contributions		Benefit payments	Adminis- trative ex- penses	Interest on fund	Balance in fund at end of year
	Partici- pants	Govern- ment				
Low-cost estimate, 80-percent participation						
1967 <sup>1</sup> .....	\$555	\$555	\$590	\$75	\$10	\$455
1968.....	565	565	830	80	20	695
Low-cost estimate, 95-percent participation						
1967 <sup>1</sup> .....	\$660	\$660	\$700	\$90	\$10	\$540
1968.....	670	670	985	95	25	825
High-cost estimate, 80-percent participation						
1967 <sup>1</sup> .....	\$555	\$555	\$705	\$95	\$5	\$315
1968.....	565	565	1,000	100	15	360
High-cost estimate, 95-percent participation						
1967 <sup>1</sup> .....	\$660	\$660	\$835	\$110	\$10	\$385
1968.....	670	670	1,190	115	15	435

<sup>1</sup> Administrative expenses shown include both those for the full year 1967 and such expenses as incurred in 1965 and 1966.

NOTE.—Not included above is the advance appropriation from general revenues that is to provide a contingency reserve during 1967-68 (to be used only if needed and to be repayable).

The trust fund builds up to a larger size under the Senate-approved bill than under the House-approved bill, because the premium rate is the same for each version of the bill, but the benefit cost of the Senate-approved bill is about 8 percent lower than that for the House-approved bill (for the reasons indicated previously in section A).



## SOCIAL SECURITY AMENDMENTS OF 1965

JULY 26, 1965.—Ordered to be printed

Mr. MILLS, from the committee of conference, submitted the following

### CONFERENCE REPORT

[To accompany H.R. 6675]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 2, 4, 6, 9, 12, 16, 19, 22, 41, 42, 49a, 49b, 56, 57, 58, 59, 73a, 96, 98, 99, 100, 101, 103, 104, 105, 106, 127a, 133, 139, 141, 144, 146, 158, 160, 161, 161a, 162, 162a, 162b, 162c, 164a, 176a, 177, 181, 182a, 182b, 185a, 185b, 186, 195, 196a, 209, 210, 211, 212, 213, 218, 228, 229, 235, 240, 243, 246, 247, 249, 252, 253, 254, 255, 267, 272, 277, 285, 288, 289, 290, 291, 292, 293, 294, 331, 334, 335, 336, 341, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 421, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 436, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 465, 470, 471, 474, 478, and 510.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 5, 8, 13, 24, 26, 27, 28, 29, 30, 32, 33, 34, 35, 36, 37, 38, 39, 40, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 54, 55, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 71, 72, 73, 75, 76, 77, 78, 79, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 102, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 134, 135, 136, 137, 140, 142, 143, 145, 147, 148, 149, 150, 151, 152, 153, 154, 155, 163, 164, 165, 167, 168, 170, 171, 172, 173, 174, 175, 176, 178, 179, 180, 183, 184, 185, 187, 188, 189, 190, 191, 192, 194, 196, 197, 200, 201, 202, 204, 207, 208, 214, 215, 217, 220, 221, 222, 223,

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Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

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Sec. 204. Payment for inpatient hospital services.

Sec. 205. Special project grants for health of school and preschool children.

Sec. 206. Evaluation and report.

Sec. 207. Increase in child welfare services.

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## PART 2—IMPLEMENTATION OF MENTAL RETARDATION PLANNING

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Sec. 311. Coverage for doctors of medicine.

Sec. 312. Gross income of farmers.

Sec. 313. Coverage of tips.

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Sec. 315. Additional period for electing coverage under divided retirement system.

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Sec. 317. Coverage of temporary employees of the District of Columbia.

Sec. 318. Coverage for certain additional hospital employees in California.

Sec. 319. Tax exemption for religious groups opposed to insurance.

Sec. 320. Increase of earnings counted for benefit and tax purposes.

Sec. 321. Changes in tax schedules.

- Sec. 322. Reimbursement of trust funds for cost of noncontributory military service credits.*
- Sec. 323. Adoption of child by retired worker.*
- Sec. 324. Extension of period for filing proof of support and applications for lump-sum death payment.*
- Sec. 325. Treatment of certain royalties for retirement test purposes.*
- Sec. 326. Amendments preserving relationship between railroad retirement and old-age, survivors, and disability insurance systems.*
- Sec. 327. Technical amendment relating to meetings of board of trustees of the old-age, survivors, and disability insurance trust funds.*
- Sec. 328. Applications for benefits.*
- Sec. 329. Underpayments.*
- Sec. 330. Payments to two or more individuals of the same family.*
- Sec. 331. Validating certificates filed by ministers.*
- Sec. 332. Determination of attorneys' fees in court proceedings under title II.*
- Sec. 333. Continuation of widow's and widower's insurance benefits after remarriage.*
- Sec. 334. Changes in definitions of wife, widow, husband, and widower.*
- Sec. 335. Reduction of benefits on receipt of workmen's compensation.*
- Sec. 336. Payment of costs of rehabilitation services from the trust funds.*
- Sec. 337. Teachers in the State of Maine.*
- Sec. 338. Modification of agreement with North Dakota and Iowa with respect to certain students.*
- Sec. 339. Qualification of children not qualified under State law.*
- Sec. 340. Disclosure, under certain circumstances, to courts and interested welfare agencies of whereabouts of individuals.*
- Sec. 341. Additional period for filing of ministers certificates.*
- Sec. 342. Rectifying error in interpreting law with respect to certain school employees in Alaska.*
- Sec. 343. Continuation of child's insurance benefits after adoption by brother or sister.*
- Sec. 344. Disability insurance benefits for the blind; special provisions.*

*TITLE IV—PUBLIC ASSISTANCE AMENDMENTS*

- Sec. 401. Increased Federal payments under public assistance titles of the Social Security Act.*
- Sec. 402. Protective payments.*
- Sec. 403. Disregarding certain earnings in determining need under assistance programs for the aged, blind, and disabled.*
- Sec. 404. Administrative and judicial review of public assistance determinations.*
- Sec. 405. Maintenance of State public assistance expenditures.*
- Sec. 406. Disregarding OASDI benefit increase, and child's insurance benefit payments beyond age 18, to the extent attributable to retroactive effective date.*
- Sec. 407. Extension of grace period for disregarding certain income for States where legislature has not met in regular session.*
- Sec. 408. Technical amendments relating to public assistance programs.*
- Sec. 409. Eligibility of children over age 18 attending school.*
- Sec. 410. Disregarding certain earnings in determining need of certain dependent children.*
- Sec. 411. Federal share of public assistance expenditures.*

And the Senate agree to the same.

Amendment numbered 7:

That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 10, line 17, of the House engrossed bill, strike out "60" and insert the following: 90; and the Senate agree to the same.

Amendment numbered 10:

That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 11, line 4, of the House engrossed bill, strike out "subsections (c) and (d)" and insert the following: *subsection (c)*; and the Senate agree to the same.

Amendment numbered 11:

That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 11, line 7, of the House engrossed bill, strike out "60 days during such spell; or" and insert the following: *90 days during such spell*;

And the Senate agree to the same.

Amendment numbered 14:

That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *spell; or*; and the Senate agree to the same.

Amendment numbered 15:

That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with amendments as follows:

On page 8, line 3, of the Senate engrossed amendments, strike out "(2)" and insert the following: (3)

On page 8, line 5, of the Senate engrossed amendments, strike out "210 days during his lifetime; or" and insert the following: *190 days during his lifetime*.

And the Senate agree to the same.

Amendment numbered 17:

That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with amendments as follows:

Strike out the matter proposed to be stricken out by the Senate amendment, and on page 11 of the House engrossed bill, after line 10, insert the following:

*"(c) If an individual is an inpatient of a psychiatric hospital or a tuberculosis hospital on the first day of the first month for which he is entitled to benefits under this part, the days on which he was an inpatient of such a hospital in the 90-day period immediately before such first day shall be included in determining the 90-day limit under subsection (b)(1) (but not in determining the 190-day limit under subsection (b)(3))."*

And the Senate agree to the same.

Amendment numbered 18:

That the House recede from its disagreement to the amendment of the Senate numbered 18, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *(d)*; and the Senate agree to the same.

## Amendment numbered 20:

That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (e); and the Senate agree to the same.

## Amendment numbered 21:

That the House recede from its disagreement to the amendment of the Senate numbered 21, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *subsections (b), (c), and (d), inpatient hospital services, inpatient psychiatric*; and the Senate agree to the same.

## Amendment numbered 23:

That the House recede from its disagreement to the amendment of the Senate numbered 23, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (f); and the Senate agree to the same.

## Amendment numbered 25:

That the House recede from its disagreement to the amendment of the Senate numbered 25, and agree to the same with amendments as follows:

On page 13, line 1, of the House engrossed bill, after "DEDUCTIBLES" insert the following: *AND COINSURANCE*

On page 9, line 21, of the Senate engrossed amendments, strike out "deduction" and insert the following: *coinsurance amount*

On page 10, line 1, of the Senate engrossed amendments, after "for each day" insert the following: *(before the 91st day)*

And the Senate agree to the same.

## Amendment numbered 31:

That the House recede from its disagreement to the amendment of the Senate numbered 31, and agree to the same with an amendment as follows:

On page 10, line 16, of the Senate engrossed amendments, strike out "deduction" and insert the following: *coinsurance amount*; and the Senate agree to the same.

## Amendment numbered 53:

That the House recede from its disagreement to the amendment of the Senate numbered 53, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *and (B)*; and the Senate agree to the same.

## Amendment numbered 70:

That the House recede from its disagreement to the amendment of the Senate numbered 70, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *(other than physicians' services unless fur-*

nished by a resident or intern of a hospital); and the Senate agree to the same.

Amendment numbered 74:

That the House recede from its disagreement to the amendment of the Senate numbered 74, and agree to the same with amendments as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *year, and (2) the amount of any deduction imposed under section 1813(a)(2)(A) with respect to outpatient hospital diagnostic services furnished in any calendar year shall be regarded as an incurred expense under this part for such year*

On page 35, line 7, of the House engrossed bill, after "except that" insert the following: (1)

On page 35, line 10, of the House engrossed bill, after "year" insert the following: *(or regarded under clause (2) as incurred in such preceding year with respect to services furnished in such last three months)*

And the Senate agree to the same.

Amendment numbered 80:

That the House recede from its disagreement to the amendment of the Senate numbered 80, and agree to the same with amendments as follows:

On page 36, line 16, of the House engrossed bill, strike out "DURATION OF" and insert the following: *LIMITATION ON HOME HEALTH*

On page 37 of the House engrossed bill, strike out the sentence beginning in line 6 and insert the following: *Payment under this part may be made for home health services furnished an individual during any calendar year only for 100 visits during such year.*

And the Senate agree to the same.

Amendment numbered 93:

That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *either (i);* and the Senate agree to the same.

Amendment numbered 94:

That the House recede from its disagreement to the amendment of the Senate numbered 94, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *(ii);* and the Senate agree to the same.

Amendment numbered 95:

That the House recede from its disagreement to the amendment of the Senate numbered 95, and agree to the same with amendments as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part, or (B) is entitled to hospital insurance benefits under part A*

On page 42, line 4, of the House engrossed bill, after "(2)" insert the following: (A)

And the Senate agree to the same.

## Amendment numbered 97:

That the House recede from its disagreement to the amendment of the Senate numbered 97, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 43, line 4, of the House engrossed bill, after the period insert the following: *For purposes of this subsection and subsection (d), an individual who satisfies paragraph (2) of section 1836 solely by reason of subparagraph (B) thereof shall be treated as satisfying such paragraph (2) on the first day on which he is (or on filing application would be) entitled to hospital insurance benefits under part A.*

And the Senate agree to the same.

## Amendment numbered 115:

That the House recede from its disagreement to the amendment of the Senate numbered 115, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *none of the preceding provisions of this section applies, or with respect to whom subsection (d);* and the Senate agree to the same.

## Amendment numbered 138:

That the House recede from its disagreement to the amendment of the Senate numbered 138, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *the calendar year 1967;* and the Senate agree to the same.

## Amendment numbered 156:

That the House recede from its disagreement to the amendment of the Senate numbered 156, and agree to the same with amendments as follows:

On page 71, line 22, of the House engrossed bill, strike out “, and such individual” and insert the following: *; and an individual*

On page 71, line 23, of the House engrossed bill, strike out “from the” and insert the following: *from an*

And the Senate agree to the same.

## Amendment numbered 157:

That the House recede from its disagreement to the amendment of the Senate numbered 157, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *necessary (subject to the second sentence of section 1863);*

And the Senate agree to the same.

## Amendment numbered 159:

That the House recede from its disagreement to the amendment of the Senate numbered 159, and agree to the same with amendments as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following: *The term ‘extended care facility’ also includes*

an institution described in paragraph (1) of subsection (y), to the extent and subject to the limitations provided in such subsection.

On page 87 of the House engrossed bill, after line 12, insert the following:

"POST-HOSPITAL EXTENDED CARE IN CHRISTIAN SCIENCE EXTENDED  
CARE FACILITIES

"(y)(1) The term 'extended care facility' also includes a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts, but only (except for purposes of subsection (a)(2)) with respect to items and services ordinarily furnished by such an institution to inpatients, and payment may be made with respect to services provided by or in such an institution only to such extent and under such conditions, limitations, and requirements (in addition to or in lieu of the conditions, limitations, and requirements otherwise applicable) as may be provided in regulations.

"(2) Notwithstanding any other provision of this title, payment under part A may not be made for services furnished an individual in an extended care facility to which paragraph (1) applies unless such individual elects, in accordance with regulations, for a spell of illness to have such services treated as post-hospital extended care services for purposes of such part; and payment under part A may not be made for post-hospital extended care services—

"(A) furnished an individual during such spell of illness in an extended care facility to which paragraph (1) applies after—

"(i) such services have been furnished to him in such a facility for 30 days during such spell, or

"(ii) such services have been furnished to him during such spell in an extended care facility to which such paragraph does not apply; or

"(B) furnished an individual during such spell of illness in an extended care facility to which paragraph (1) does not apply after such services have been furnished to him during such spell in an extended care facility to which such paragraph applies.

"(3) The amount payable under part A for post-hospital extended care services furnished an individual during any spell of illness in an extended care facility to which paragraph (1) applies shall be reduced by a coinsurance amount equal to one-eighth of the inpatient hospital deductible for each day before the 31st day on which he is furnished such services in such a facility during such spell (and the reduction under this paragraph shall be in lieu of any reduction under section 1813(a)(4)).

"(4) For purposes of subsection (i), the determination of whether services furnished by or in an institution described in paragraph (1) constitute post-hospital extended care services shall be made in accordance with and subject to such conditions, limitations, and requirements as may be provided in regulations.

And the Senate agree to the same.

Amendment numbered 166:

That the House recede from its disagreement to the amendment of the Senate numbered 166, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *"(1) physicians' services;*  
And the Senate agree to the same.

Amendment numbered 169:

That the House recede from its disagreement to the amendment of the Senate numbered 169, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 82 of the House engrossed bill, strike out lines 15, 16, and 17, and insert the following:

*"(1) diagnostic X-ray tests, diagnostic laboratory tests, and other diagnostic tests;*

And the Senate agree to the same.

Amendment numbered 182:

That the House recede from its disagreement to the amendment of the Senate numbered 182, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *for use in such hospital;* and the Senate agree to the same.

Amendment numbered 193:

That the House recede from its disagreement to the amendment of the Senate numbered 193, and agree to the same with amendments as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *; except that, in the case of any State or political subdivision of a State which imposes higher requirements on institutions as a condition to the purchase of services (or of certain specified services) in such institutions under a State plan approved under title I, XVI, or XIX, the Secretary shall impose like requirements, as a condition to the payment for services (or for the services specified by the State or subdivision) in such institutions in such State or subdivision*

On page 66, line 15, of the House engrossed bill, before the period insert the following: *(subject to the second sentence of section 1863)*

On page 91, line 22, of the House engrossed bill, strike out "An" and insert the following: *Except as provided in the second sentence of section 1863, an*

And the Senate agree to the same.

Amendment numbered 198:

That the House recede from its disagreement to the amendment of the Senate numbered 198, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 93, of the House engrossed bill, strike out line 9 and "section 1833(b)" in line 10 and insert the following: *or coinsurance amount imposed pursuant to section 1813(a)(1), (a)(2), or (a)(4), section 1833(b), or section 1861(y)(3);* and the Senate agree to the same.

Amendment numbered 199:

That the House recede from its disagreement to the amendment of the Senate numbered 199, and agree to the same with an amendment as follows:

On page 35, line 16, of the Senate engrossed amendments, strike out "(or may be)"; and the Senate agree to the same.

Amendment numbered 203:

That the House recede from its disagreement to the amendment of the Senate numbered 203, and agree to the same with an amendment as follows:

On page 101, line 18, of the House engrossed bill, after "and" insert the following: *, in the case of a determination as to entitlement or as to amount of benefits where the amount in controversy is \$1,000 or more,*

And the Senate agree to the same.

Amendment numbered 205:

That the House recede from its disagreement to the amendment of the Senate numbered 205, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, on page 102, line 18, of the House engrossed bill, strike out "or 1835(c)", and on page 103, line 13, of the House engrossed bill, strike out "1834(f)" and insert the following: *1841(f)*; and the Senate agree to the same.

Amendment numbered 206:

That the House recede from its disagreement to the amendment of the Senate numbered 206, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 103, line 21, of the House engrossed bill, strike out "sections 1814(e) and 1835(c)" and insert the following: *section 1814(e)*; and the Senate agree to the same.

Amendment numbered 216:

That the House recede from its disagreement to the amendment of the Senate numbered 216, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *5 years*; and the Senate agree to the same.

Amendment numbered 219:

That the House recede from its disagreement to the amendment of the Senate numbered 219, and agree to the same with amendments as follows:

Omit the matter proposed to be inserted by the Senate amendment, and on page 109 of the House engrossed bill, strike out line 14 and all that follows through line 21, and insert the following:

*(3)(A) at the beginning of such first month is covered by an enrollment in a health benefits plan under the Federal Employees Health Benefits Act of 1959,*

*(B) was so covered on February 16, 1965, or*

(C) could have been so covered for such first month if he or some other person had availed himself of opportunities to enroll in a health benefits plan under such Act and to continue such enrollment (but this subparagraph shall not apply unless he or such other person was a Federal employee at any time after February 15, 1965).

Paragraph (3) shall not apply in the case of any individual for the month (or any month thereafter) in which coverage under such a health benefits plan ceases (or would have ceased if he had had such coverage) by reason of his or some other person's separation from Federal service, if he or such other person was not (or would not have been) eligible to continue such coverage after such separation.

And the Senate agree to the same.

Amendment numbered 227:

That the House recede from its disagreement to the amendment of the Senate numbered 227, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 115, line 9, of the House engrossed bill, strike out "\$250" and insert the following: \$150; and the Senate agree to the same.

Amendment numbered 234:

That the House recede from its disagreement to the amendment of the Senate numbered 234, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

(d)(1) Section 213 of such Code (relating to medical, dental, etc., expenses) is amended by striking out subsections (c) and (g) of such section.

(2)(A) Section 72(m)(5)(A)(i) of such Code (relating to special rules applicable to employment annuities and distributions under employee plans) is amended by striking out "section 213(g)(3)" and inserting in lieu thereof "paragraph (7) of this subsection".

(B) Section 72(m) of such Code is further amended by adding at the end thereof the following new paragraph:

"(7) MEANING OF DISABLED.—For purposes of this section, an individual shall be considered to be disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to be disabled unless he furnishes proof of the existence thereof in such form and manner as the Secretary or his delegate may require."

(C) Subparagraphs (A)(ii) and (B)(ii) of section 72(n)(1) of such Code (relating to treatment of certain distributions with respect to contributions by self-employed individuals) are each amended by striking out "section 213(g)(3)" and inserting in lieu thereof "subsection (m)(7)".

(3) Section 79(b)(1) of such Code (relating to group-term life insurance purchased for employees) is amended by striking out "paragraph (3) of section 213(g), determined without regard to paragraph (4) thereof" and inserting in lieu thereof "section 72(m)(7)".

(4) Section 401(d)(4)(B) of such Code (relating to additional requirements for qualification of trusts and plans benefiting owner-employees) is

amended by striking out "section 213(g)(3)" and inserting in lieu thereof "section 72(m)(7)".

(5) Section 405(b)(1)(D)(ii) of such Code (relating to qualified bond purchase plans) is amended by striking out "section 213(g)(3)" and inserting in lieu thereof "section 72(m)(7)".

And the Senate agree to the same.

Amendment numbered 248:

That the House recede from its disagreement to the amendment of the Senate numbered 248, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*ROLE OF THE RAILROAD RETIREMENT BOARD IN THE ADMINISTRATION OF HOSPITAL INSURANCE FOR THE AGED*

*SEC. 111. (a) The first sentence of section 1874(a) of the Social Security Act is amended to read as follows: "Except as otherwise provided in this title and in the Railroad Retirement Act of 1937, the insurance programs established by this title shall be administered by the Secretary."*

*(b)(1) Section 21 of the Railroad Retirement Act of 1937 (as added by section 105 of this Act) is amended to read as follows:*

*"HOSPITAL INSURANCE BENEFITS FOR THE AGED*

*"SEC. 21. (a) For the purposes of this section, the Board shall have the same authority to determine the rights of individuals described in subsection (b) of this section to have payments made on their behalf for hospital insurance benefits consisting of inpatient hospital services, post-hospital extended care services, post-hospital home health services, and outpatient hospital diagnostic services (all hereinafter referred to as 'services') under section 226, and parts A and C of title XVIII, of the Social Security Act as the Secretary of Health, Education, and Welfare has under such section and such parts with respect to individuals to whom such section and such parts apply. For purposes of section 11, a determination with respect to the rights of an individual under this section shall, except in the case of a provider of services, be considered to be a decision with respect to an annuity.*

*"(b) Except as otherwise provided in this section, every individual who—*

*"(1) has attained age 65, and*

*"(2) (A) is entitled to an annuity under this Act, or (B) would be entitled to such an annuity had he ceased compensated service and, in the case of a spouse, had such spouse's husband or wife ceased compensated service, or (C) had been awarded a pension under section 6, or (D) bears a relationship to an employee which, by reason of section 3(e), has been, or would be, taken into account in calculating the amount of an annuity of such employee or his survivors,*

*shall be certified to the Secretary of Health, Education, and Welfare as a qualified railroad retirement beneficiary under section 226 of the Social Security Act.*

“(c) *The Board and the Secretary of Health, Education, and Welfare shall furnish each other with such information, records, and documents as may be considered necessary to the administration of this section or section 226, and part A of title XVIII of the Social Security Act.*

“(d) *For purposes of this section (and sections 1840, 1843, and 1870 of the Social Security Act), entitlement to an annuity or pension under this Act shall be deemed to include entitlement under the Railroad Retirement Act of 1935.*

“(e) *The rights of individuals described in subsection (b) of this section to have payment made on their behalf for the services referred to in subsection (a) of this section but provided in Canada shall be the same as those of individuals to whom section 226 and part A of title XVIII of the Social Security Act apply, and this subsection shall be administered by the Board as if the provisions of section 226 and part A of title XVIII of the Social Security Act were applicable, as if references to the Secretary of Health, Education, and Welfare were to the Board, as if references to the Federal Hospital Insurance Trust Fund were to the Railroad Retirement Account, as if references to the United States or a State included Canada or a subdivision thereof, and as if the provisions of sections 1862(a)(4), 1863, 1864, 1867, 1868, 1869, 1874(b), and 1875 of such title XVIII were not included in such title. The payments for services herein provided for in Canada shall be made from the Railroad Retirement Account (in accordance with, and subject to, the conditions applicable under section 10(b) in making payment of other benefits) to the hospital, extended care facility, or home health agency providing such services in Canada to individuals to whom subsection (b) of this section applies, but only to the extent that the amount of payments for services otherwise hereunder provided for an individual exceeds the amount payable for like services provided pursuant to the law in effect in the place in Canada where such services are furnished. For the purposes of section 9 of this Act, any overpayment under this subsection shall be treated as if it were an overpayment of an annuity.”*

(2) *Section 5(k)(2) of such Act is amended—*

(A) *by striking out subparagraphs (A) and (B) and redesignating subparagraphs (C), (D), and (E) as subparagraphs (A), (B), and (C), respectively;*

(B) *by striking out the second sentence and the last sentence of subdivision (i) of the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph; and by striking out from such subdivision (i) “the Retirement Account” and inserting in lieu thereof “the Railroad Retirement Account (hereinafter termed ‘Retirement Account’)”;*

(C) *by adding at the end of the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph the following new subdivision:*

“(iii) *At the close of the fiscal year ending June 30, 1966, and each fiscal year thereafter, the Board and the Secretary of Health, Education, and Welfare shall determine the amount, if any, which, if added to or subtracted from the Federal Hospital Insurance Trust Fund, would place such fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term ‘employment’ as defined in the Social Security Act and in the Federal Insurance Contributions Act. Such determination shall be made no later than June 15 following the close*

of the fiscal year. If such amount is to be added to the Federal Hospital Insurance Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Federal Hospital Insurance Trust Fund; and if such amount is to be subtracted from the Federal Hospital Insurance Trust Fund the Secretary of Health, Education, and Welfare shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Federal Hospital Insurance Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined under subparagraph (B) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification.”;

(D) by striking out “subparagraph (D)” where it appears in the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph, and inserting in lieu thereof “subparagraph (B)”;

(E) by striking out “subparagraphs (B) and (C)” where it appears in the subparagraph redesignated as subparagraph (B) by subparagraph (A) of this paragraph and inserting in lieu thereof “subparagraph (A)”;

(F) by amending the subparagraph redesignated as subparagraph (C) by subparagraph (A) of this paragraph to read as follows:

“(C) The Secretary of the Treasury is authorized and directed to transfer to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund from the Retirement Account or to the Retirement Account from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Secretary of Health, Education, and Welfare pursuant to the provisions of subparagraph (A), and certified by the Board or the Secretary of Health, Education, and Welfare for transfer from the Retirement Account or from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund.”

(c) (1) Section 3201 of the Internal Revenue Code of 1954 (relating to rate of tax on employees under the Railroad Retirement Tax Act) is amended by striking out “section 3101(a)” and inserting in lieu thereof “section 3101(a) plus the rate imposed by section 3101(b)”.

(2) Section 3211 of such Code (relating to the rate of tax on employee representatives under the Railroad Retirement Tax Act) is amended by striking out “section 3101(a)” and inserting in lieu thereof “section 3101(a) plus the rate imposed by section 3101(b)”.

(3) Section 3221(b) of such Code (relating to the rate of tax on employers under the Railroad Retirement Tax Act) is amended by striking out “section 3111(a)” and inserting in lieu thereof “section 3111(a) plus the rate imposed by section 3111(b)”.

(4) Section 1401(b) (as amended by section 321 of this Act) of such Code (relating to the rate of tax under the Self-Employment Contributions Act) is amended by striking out the last sentence.

(5) Section 3101(b) of such Code (relating to the rate of tax on employees under the Federal Insurance Contributions Act) is amended by

striking out “, but without regard to the provisions of paragraph (9) thereof insofar as it relates to employees”.

(6) Section 3111(b) of such Code (relating to the rate of tax on employers under the Federal Insurance Contributions Act) is amended by striking out “, but without regard to the provisions of paragraph (9) thereof insofar as it relates to employees”.

(d) There are authorized to be appropriated to the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) from time to time such sums as the Secretary deems necessary for any fiscal year, on account of—

(1) payments made or to be made during such fiscal year from such Trust Fund under part A of title XVIII of such Act with respect to individuals who are qualified railroad retirement beneficiaries (as defined in section 226(c) of such Act) and who are not, and upon filing application for monthly insurance benefits under section 202 of such Act would not be, entitled to such benefits if service as an employee (as defined in the Railroad Retirement Act of 1937) after December 31, 1936, had been included in the term “employment” as defined in the Social Security Act,

(2) the additional administrative expenses resulting or expected to result therefrom, and

(3) any loss of interest to such Trust Fund resulting from the payment of such amounts, in order to place such Trust Fund in the same position at the end of such fiscal year in which it would have been if the individuals described in paragraph (1) had not been entitled to benefits under part A of title XVIII of the Social Security Act.

(e)(1) The amendments made by the preceding provisions of this section shall apply to the calendar year 1966 or to any subsequent calendar year, but only if the requirement in paragraph (2) has been met with respect to such calendar year.

(2) The requirement referred to in paragraph (1) shall be deemed to have been met with respect to any calendar year if, as of the October 1 immediately preceding such calendar year, the Railroad Retirement Tax Act provides that the maximum amount of monthly compensation taxable under such Act during all months of such calendar year will be an amount equal to one-twelfth of the maximum wages which the Federal Insurance Contributions Act provides may be counted for such calendar year.

And the Senate agree to the same.

Amendment numbered 258:

That the House recede from its disagreement to the amendment of the Senate numbered 258, and agree to the same with amendments as follows:

Omit the matter proposed to be inserted by the Senate amendment, and on page 128 of the House engrossed bill, after line 18, insert the following:

*except that the making available of the services described in paragraph (4) or (14) of section 1905(a) to individuals meeting the age requirement prescribed therein shall not, by reason of this paragraph (10), require the making available of any such services, or the making available of such services of the same amount, duration, and scope, to individuals of any other ages;*

And the Senate agree to the same.

Amendment numbered 265:

That the House recede from its disagreement to the amendment of the Senate numbered 265, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *diseases; and;* and the Senate agree to the same.

Amendment numbered 266:

That the House recede from its disagreement to the amendment of the Senate numbered 266, and agree to the same with an amendment as follows:

On page 61, line 3, of the Senate engrossed amendments, strike out “; and” and insert a period; and the Senate agree to the same.

Amendment numbered 274:

That the House recede from its disagreement to the amendment of the Senate numbered 274, and agree to the same with an amendment as follows:

Omit the matter proposed to be inserted by the Senate amendment, and on page 142 of the House engrossed bill strike out “who” in line 13 and all that follows down through line 18 and insert the following:

*who are—*

“(i) *under the age of 21,*

“(ii) *relatives specified in section 406(b)(1) with whom a child is living if such child, except for section 406(a)(2), is (or would, if needy, be) a dependent child under title IV,*

“(iii) *65 years of age or older,*

“(iv) *blind, or*

“(v) *18 years of age or older and permanently and totally disabled,*

*but whose*

And the Senate agree to the same.

Amendment numbered 276:

That the House recede from its disagreement to the amendment of the Senate numbered 276, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *(other than services in an institution for tuberculosis or mental diseases) for individuals 21 years of age or older;* and the Senate agree to the same.

Amendment numbered 279:

That the House recede from its disagreement to the amendment of the Senate numbered 279, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

“(14) *inpatient hospital services and skilled nursing home services for individuals 65 years of age or over in an institution for tuberculosis or mental diseases; and*

And the Senate agree to the same.

## Amendment numbered 281:

That the House recede from its disagreement to the amendment of the Senate numbered 281, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *after December 31, 1969*; and the Senate agree to the same.

## Amendment numbered 282:

That the House recede from its disagreement to the amendment of the Senate numbered 282, and agree to the same with amendments as follows:

On page 63 of the Senate engrossed amendments, strike out line 2 and insert the following:

(2) *Section 1109 of such Act is amended to read as follows:*

"AMOUNTS DISREGARDED NOT TO BE TAKEN INTO ACCOUNT IN  
DETERMINING ELIGIBILITY OF OTHER INDIVIDUALS

*"Sec. 1109. Any*

On page 63, line 4, of the Senate engrossed amendments, before "eligibility" insert the following: *the*

And the Senate agree to the same.

## Amendment numbered 286:

That the House recede from its disagreement to the amendment of the Senate numbered 286, and agree to the same with amendments as follows:

Omit the matter proposed to be inserted by the Senate amendment, and on page 146, line 19, of the House engrossed bill, strike out "succeeding fiscal years" and insert the following: *each fiscal year thereafter*; and the Senate agree to the same.

## Amendment numbered 287:

That the House recede from its disagreement to the amendment of the Senate numbered 287, and agree to the same with amendments as follows:

Omit the matter proposed to be inserted by the Senate amendment, and on page 147, line 14, of the House engrossed bill, strike out "succeeding fiscal years" and insert the following: *each fiscal year thereafter*; and the Senate agree to the same.

## Amendment numbered 295:

That the House recede from its disagreement to the amendment of the Senate numbered 295, and agree to the same with amendments as follows:

On page 68, line 10, of the Senate engrossed amendments, strike out "each year".

On page 68, line 11, of the Senate engrossed amendments, strike out "succeeding fiscal years" and insert the following: *each fiscal year thereafter*

And the Senate agree to the same.

Amendment numbered 296:

That the House recede from its disagreement to the amendment of the Senate numbered 296, and agree to the same with amendments as follows:

On page 68 of the Senate engrossed amendments, after line 21, insert the following:

*"ALLOTMENTS TO STATES*

On page 69 of the Senate engrossed amendments, strike out line 12 and all that follows through line 17 and insert the following:

*"(v) that day care provided under the plan will be provided only in facilities (including private homes) which are licensed by the State, or approved (as meeting the standards established for such licensing) by the State agency responsible for licensing facilities of this type, and"*.

On page 69 of the Senate engrossed amendments, strike out line 18 and all that follows through line 22 and insert the following:

*(d) The amendments made by this section shall take effect on January 1, 1966.*

And the Senate agree to the same.

Amendment numbered 301:

That the House recede from its disagreement to the amendment of the Senate numbered 301, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *(as amended by section 403(e) of this Act)*; and the Senate agree to the same.

Amendment numbered 312:

That the House recede from its disagreement to the amendment of the Senate numbered 312, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*SEC. 303. (a)(1) Clause (A) of the first sentence of section 216(i)(1) of the Social Security Act is amended by striking out "or to be of long-continued and indefinite duration" and inserting in lieu thereof "or has lasted or can be expected to last for a continuous period of not less than 12 months"*.

*(2) So much of section 223(c)(2) of such Act as precedes the second sentence thereof is amended to read as follows:*

*"(2) The term 'disability' means—*

*"(A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months; or"*.

And the Senate agree to the same.

Amendment numbered 316:

That the House recede from its disagreement to the amendment of the Senate numbered 316, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*(3) Subparagraph (D) of section 223(a)(1) of such Act is amended by striking out "at the time such application is filed,". So much of such section 223(a)(1) as follows subparagraph (E) is amended by striking out "the first month for which he is entitled to old-age insurance benefits,".*

And the Senate agree to the same.

Amendment numbered 324:

That the House recede from its disagreement to the amendment of the Senate numbered 324, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*(2) The amendment made by subsection (e) shall apply in the case of the primary insurance amounts of individuals who attain age 65 after the date of enactment of this Act.*

And the Senate agree to the same.

Amendment numbered 329:

That the House recede from its disagreement to the amendment of the Senate numbered 329, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *0.70*; and the Senate agree to the same.

Amendment numbered 330:

That the House recede from its disagreement to the amendment of the Senate numbered 330, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *0.525*; and the Senate agree to the same.

Amendment numbered 332:

That the House recede from its disagreement to the amendment of the Senate numbered 332, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *18*; and the Senate agree to the same.

Amendment numbered 333:

That the House recede from its disagreement to the amendment of the Senate numbered 333, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*"(E) the month in which such child attains the age of 18, but only if he (i) is not under a disability (as so defined) at the time he attains such age, and (ii) is not a full-time student during any part of such month,*

*"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—*

*"(i) the first month during no part of which he is a full-time student, or*

*"(ii) the month in which he attains the age of 22, or*

*"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, the third month following the month*

*in which he ceases to be under such disability or (if later) the earlier of—*

*“(i) the first month during no part of which he is a full-time student, or*

*“(ii) the month in which he attains the age of 22.”*

And the Senate agree to the same.

Amendment numbered 346:

That the House recede from its disagreement to the amendment of the Senate numbered 346, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 18; and the Senate agree to the same.

Amendment numbered 362:

That the House recede from its disagreement to the amendment of the Senate numbered 362, and agree to the same with amendments as follows:

On page 82, line 8, of the Senate engrossed amendments, strike out “\$150” and insert the following: \$125

On page 82, line 14, of the Senate engrossed amendments, strike out “\$150” and insert the following: \$125

And the Senate agree to the same.

Amendment numbered 364:

That the House recede from its disagreement to the amendment of the Senate numbered 364, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and omit the matter proposed to be inserted by the Senate amendment.

On page 222, lines 17, 18, and 19, of the House engrossed bill, strike out “Such tips shall be deemed to be paid to the employee by the employer and shall be deemed to be so paid” and insert the following: *Such remuneration shall be deemed to be paid*

On page 223 of the House engrossed bill, strike out line 10 and all that follows through line 23 on page 224 and insert the following:

“(c) *SPECIAL RULE FOR TIPS.*—

“(1) *In the case of tips which constitute wages, subsection (a) shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053(a), and only to the extent that collection can be made by the employer, at or after the time such statement is so furnished and before the close of the 10th day following the calendar month (or, if paragraph (3) applies, the 30th day following the quarter) in which the tips were deemed paid, by deducting the amount of the tax from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) as are under control of the employer.*

“(2) *If the tax imposed by section 3101, with respect to tips which are included in written statements furnished in any month to the employer pursuant to section 6053(a), exceeds the wages of the employee (excluding tips) from which the employer is required to collect the tax under paragraph (1), the employee may furnish to the employer on or before the 10th day of the following month (or, if*

paragraph (3) applies, on or before the 30th day of the following quarter) an amount of money equal to the amount of the excess.

“(3) The Secretary or his delegate may, under regulations prescribed by him, authorize employers—

“(A) to estimate the amount of tips that will be reported by the employee pursuant to section 6053(a) in any quarter of the calendar year,

“(B) to determine the amount to be deducted upon each payment of wages (exclusive of tips) during such quarter as if the tips so estimated constituted the actual tips so reported, and

“(C) to deduct upon any payment of wages (other than tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) to such employee during such quarter (and within 30 days thereafter) such amount as may be necessary to adjust the amount actually deducted upon such wages of the employee during the quarter to the amount required to be deducted in respect of tips included in written statements furnished to the employer during the quarter.

“(4) If the tax imposed by section 3101 with respect to tips which constitute wages exceeds the portion of such tax which can be collected by the employer from the wages of the employee pursuant to paragraph (1) or paragraph (3), such excess shall be paid by the employee.”

On page 226 of the House engrossed bill, strike out lines 3 through 7 and insert the following:

“(q) *TIPS INCLUDED FOR EMPLOYEE TAXES.*—For purposes of this chapter other than for purposes of the taxes imposed by section 3111, tips received by an employee in the course of his employment shall be considered remuneration for employment. Such remuneration shall be deemed to be paid at the time a written

On page 226, lines 17, 18, and 19, of the House engrossed bill, strike out “Such tips shall be deemed to be paid to the employee by the employer, and shall be deemed to be so paid” and insert the following: *Such wages shall be deemed to be paid*

On page 227, after line 14, of the House engrossed bill, insert the following:

(4) Section 3402(h)(3) of such Code (relating to income tax withholding on basis of average wages) is amended by inserting after “quarter” the first place it appears the following: “(and, in the case of tips referred to in subsection (k), within 30 days thereafter)”.

On page 227, line 15, of the House engrossed bill, strike out “(4)” and insert the following: (5)

On page 227, lines 23 and 24, of the House engrossed bill, strike out “the employee receives the tips which are included in such statement,” and insert the following: *such statement is furnished,*

On page 228 of the House engrossed bill, strike out lines 15 through 26 and insert the following: *the aggregate of such wages and funds (including funds turned over under section 3102(c)(2)) minus any tax required by section 3102(a) to be collected from such wages and funds.”*

(e)(1) Section 6051(a) of such Code (relating to receipts for employees) is amended by adding at the end thereof the following new sentence: “In the case of tips received by an employee in the course of his employment,

*the amounts required to be shown by paragraphs (3) and (5) shall include only such tips as are included in statements furnished to the employer pursuant to section 6053(a)."*

On page 229, line 6, of the House engrossed bill, after "(a)" insert the following: *REPORTS BY EMPLOYEES.*—

On page 229 of the House engrossed bill, strike out lines 15 through 22 and insert the following:

*"(b) STATEMENTS FURNISHED BY EMPLOYERS.—If the tax imposed by section 3101 with respect to tips reported by an employee pursuant to subsection (a) exceeds the tax which can be collected by the employer pursuant to section 3102, the employer shall furnish to the employee a written statement showing the amount of such excess. The statement required to be furnished pursuant to this subsection shall be furnished at such time, shall contain such other information, and shall be in such form as the Secretary or his delegate may by regulations prescribe. When required by such regulations, a duplicate of any such statement shall be filed with the Secretary or his delegate."*

*(B) Section 6652(b) of such Code (relating to failure to file information returns) is amended by inserting after "income tax withheld," the following: "and in the case of each failure to furnish a statement required by section 6053(b) (relating to statements furnished by employers with respect to tips),"*

*(C) Section 6674 of such Code (relating to fraudulent statement or failure to furnish statement to employee) is amended by striking out "6051" each place it appears and inserting in lieu thereof "6051 or 6053(b)":*

On page 229, line 23, of the House engrossed bill, strike out "(B)" and insert the following: *(D)*

On page 230 of the House engrossed bill, strike out lines 5 through 20 and insert the following:

*"(c) FAILURE TO REPORT TIPS.—In the case of failure by an employee to report to his employer on the date and in the manner prescribed therefor any amount of tips required to be so reported by section 6053(a) which are wages (as defined in section 3121(a)), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be paid by the employee, in addition to the tax imposed by section 3101 with respect to the amount of tips which he so failed to report, an amount equal to 50 percent of such tax."*

On page 230, line 21, of the House engrossed bill, strike out "(g)" and insert the following: *(f)*

And the Senate agree to the same.

Amendment numbered 385:

That the House recede from its disagreement to the amendment of the Senate numbered 385, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *1966, and;* and the Senate agree to the same.

Amendment numbered 407:

That the House recede from its disagreement to the amendment of the Senate numbered 407, and agree to the same with amendments as follows:

Strike out the matter proposed to be stricken out by the Senate amendment.

Insert the matter proposed to be inserted by the Senate amendment. On page 253, line 9, of the House engrossed bill, strike out "1969," and insert the following: *1967*,

On page 253, after line 11, of the House engrossed bill, insert the following:

*"(2) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 5.9 percent of the amount of the self-employment income for such taxable year;*

On page 253, line 12, of the House engrossed bill, strike out "(2)" and insert the following: (3)

On page 253, line 17, of the House engrossed bill, strike out "(3)" and insert the following: (4)

And the Senate agree to the same.

Amendment numbered 420:

That the House recede from its disagreement to the amendment of the Senate numbered 420, and agree to the same with amendments as follows:

Strike out the matter proposed to be stricken out by the Senate amendment.

Insert the matter proposed to be inserted by the Senate amendment.

On page 255, line 12, of the House engrossed bill, strike out "years 1966, 1967, and 1968," and insert the following: *year 1966*,

On page 255, after line 13, of the House engrossed bill, insert the following:

*"(2) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 3.9 percent;*

On page 255, line 14, of the House engrossed bill, strike out "(2)" and insert the following: (3)

On page 255, line 17, of the House engrossed bill, strike out "(3)" and insert the following: (4)

And the Senate agree to the same.

Amendment numbered 422:

That the House recede from its disagreement to the amendment of the Senate numbered 422, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *4.85*; and the Senate agree to the same.

Amendment numbered 435:

That the House recede from its disagreement to the amendment of the Senate numbered 435, and agree to the same with amendments as follows:

Strike out the matter proposed to be stricken out by the Senate amendment.

Insert the matter proposed to be inserted by the Senate amendment.

On page 257, line 4, of the House engrossed bill, strike out "years 1966, 1967, and 1968," and insert the following: *year 1966*,

On page 257, after line 5, of the House engrossed bill, insert the following:

*"(2) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 3.9 percent;*

On page 257, line 6, of the House engrossed bill, strike out "(2)" and insert the following: (3)

On page 257, line 9, of the House engrossed bill, strike out "(3)" and insert the following: (4)

And the Senate agree to the same.

Amendment numbered 437:

That the House recede from its disagreement to the amendment of the Senate numbered 437, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 4.85; and the Senate agree to the same.

Amendment numbered 458:

That the House recede from its disagreement to the amendment of the Senate numbered 458, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

#### UNDERPAYMENTS

SEC. 329. Section 204 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, and the total amount due at the time of his death does not exceed the amount of the monthly insurance benefit to which he was entitled for the month preceding the month in which he died, payment of the amount due shall be made—

"(1) to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and to have been living in the same household with the deceased at the time of his death, or

"(2) if there is no such person, or if such person dies before receiving payment, to the legal representative of the estate of such deceased individual."

And the Senate agree to the same.

Amendment numbered 460:

That the House recede from its disagreement to the amendment of the Senate numbered 460, and agree to the same with amendments as follows:

On page 99, line 6, of the Senate engrossed amendments, after "tax" insert the following: *exemption*

On page 100, line 9, of the Senate engrossed amendments, strike out "this paragraph" and insert the following: *the Social Security Amendments of 1965*

On page 100, line 12, of the Senate engrossed amendments, strike out "this paragraph" and insert the following: *the Social Security Amendments of 1965*

On page 101, line 1, of the Senate engrossed amendments, strike out "(B)," and insert the following: *(B) ending before January 1, 1966,*

On page 101, line 12, of the Senate engrossed amendments, after "Code" insert the following: *of 1954, as amended by subsection (a)*

On page 101, line 15, of the Senate engrossed amendments, after "year" insert the following: *ending before January 1, 1966,*

On page 102, line 3, of the Senate engrossed amendments, after "year" insert the following: *ending before January 1, 1966,*

And the Senate agree to the same.

Amendment numbered 461:

That the House recede from its disagreement to the amendment of the Senate numbered 461, and agree to the same with an amendment as follows:

On page 103, line 16, of the Senate engrossed amendments, after "claimant" insert the following: *under this title;* and the Senate agree to the same.

Amendment numbered 462:

That the House recede from its disagreement to the amendment of the Senate numbered 462, and agree to the same with an amendment as follows:

On page 105, line 15, of the Senate engrossed amendments, strike out "(3)," and insert the following: *(3) and subsection (g),*

And the Senate agree to the same.

Amendment numbered 464:

That the House recede from its disagreement to the amendment of the Senate numbered 464, and agree to the same with amendments as follows:

On page 110 of the Senate engrossed amendments, strike out lines 10 through 14 and insert the following:

*SEC. 335. Effective with respect to benefits under title II of the Social Security Act for months after December 1965 based on the wages and self-employment income of an individual who is entitled to benefits under section 223 of such Act and whose period of disability (as defined in such title) began after June 1, 1965, title II of such Act is amended by inserting after section 223 the following new section:*

On page 111, line 8, of the Senate engrossed amendments, strike out "month and" and insert the following: *month, and*

On page 111, line 21, of the Senate engrossed amendments, after "month" insert the following: *(in a continuous period of months)*

And the Senate agree to the same.

Amendment numbered 466:

That the House recede from its disagreement to the amendment of the Senate numbered 466, and agree to the same with amendments as follows:

On page 117 of the Senate engrossed amendments, strike out lines 6 through 9 and insert the following:

*SEC. 336. Section 222 of the Social Security Act is amended by adding at the end thereof the following new subsection:*

On page 117, line 11, of the Senate engrossed amendments, strike out "(b)(1)" and insert the following: *(d)(1)*

On page 118, line 5, of the Senate engrossed amendments, before "benefits" insert the following: *total of the*

On page 118, line 7, of the Senate engrossed amendments, strike out "or" and insert the following: *, and the benefits*

On page 119, line 8, of the Senate engrossed amendments, before "followed" insert the following: *which would otherwise be*

And the Senate agree to the same.

Amendment numbered 467:

That the House recede from its disagreement to the amendment of the Senate numbered 467, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*TEACHERS IN THE STATE OF MAINE*

*SEC. 337. (a) Section 316 of the Social Security Amendments of 1958 is amended by striking out "July 1, 1965" and inserting in lieu thereof "July 1, 1967".*

*(b) The amendment made by this section shall be effective as of July 1, 1965.*

And the Senate agree to the same.

Amendment numbered 468:

That the House recede from its disagreement to the amendment of the Senate numbered 468, and agree to the same with an amendment as follows:

On page 121, line 8, of the Senate engrossed amendments, strike out "339" and insert the following: 338; and the Senate agree to the same.

Amendment numbered 469:

That the House recede from its disagreement to the amendment of the Senate numbered 469, and agree to the same with an amendment as follows:

On page 122, line 4, of the Senate engrossed amendments, strike out "340" and insert the following: 339; and the Senate agree to the same.

Amendment numbered 472:

That the House recede from its disagreement to the amendment of the Senate numbered 472, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*DISCLOSURE, UNDER CERTAIN CIRCUMSTANCES, TO COURTS AND INTERESTED WELFARE AGENCIES OF WHEREABOUTS OF INDIVIDUALS*

*SEC. 340. Section 1106 of the Social Security Act is amended by adding at the end thereof the following new subsection:*

*"(c)(1) Upon request (filed in accordance with paragraph (2) of this subsection) of any State or local agency participating in administration of the State plan approved under title I, IV, X, XIV, XVI, or XIX, or participating in the administration of any other State or local public assistance program, for the most recent address of any individual included in the files of the Department of Health, Education, and Welfare maintained pursuant to section 205, the Secretary shall furnish such address, or the address of the most recent employer, or both, if such agency certifies that—*

*“(A) an order has been issued by a court of competent jurisdiction against such individual for the support and maintenance of his child or children who are under the age of 16 in destitute or necessitous circumstances,*

*“(B) such child or children are applicants for or recipients of assistance available under such a plan or program,*

*“(C) such agency has attempted without success to secure such information from all other sources reasonably available to it, and*

*“(D) such information is requested (for its own use, or on the request and for the use of the court which issued the order) for the purpose of obtaining such support and maintenance.*

*“(2) A request under paragraph (1) shall be filed in such manner and form as the Secretary may prescribe, and shall be accompanied by a certified copy of the order referred to in paragraph (1)(A).*

*“(3) The penalties provided in the second sentence of subsection (a) shall apply with respect to use of information provided under paragraph (1) of this subsection except for the purpose authorized by subparagraph (D) thereof.*

*“(4) The Secretary, in such cases and to such extent as he may prescribe in accordance with regulations, may require payment for the cost of information provided under paragraph (1); and the provisions of the second sentence of subsection (b) shall apply also with respect to payment under this paragraph.”*

And the Senate agree to the same.

Amendment numbered 473:

That the House recede from its disagreement to the amendment of the Senate numbered 473, and agree to the same with an amendment as follows:

On page 132, line 9, of the Senate engrossed amendments, strike out “344” and insert the following: 341; and the Senate agree to the same.

Amendment numbered 475:

That the House recede from its disagreement to the amendment of the Senate numbered 475, and agree to the same with an amendment as follows:

On page 134, line 18, of the Senate engrossed amendments, strike out “346” and insert the following: 342; and the Senate agree to the same.

Amendment numbered 476:

That the House recede from its disagreement to the amendment of the Senate numbered 476, and agree to the same with an amendment as follows:

On page 135, line 13, of the Senate engrossed amendments, strike out “347” and insert the following: 343; and the Senate agree to the same.

Amendment numbered 477:

That the House recede from its disagreement to the amendment of the Senate numbered 477, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

DISABILITY INSURANCE BENEFITS FOR THE BLIND; SPECIAL  
PROVISIONS

*SEC. 344. (a) Section 216(i)(3) of the Social Security Act (as amended by section 303 of this Act) is further amended by striking out subparagraph (B) and all that follows and inserting in lieu thereof the following:*

*"(B)(i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with such quarter, or*

*"(ii) if such quarter ends before he attains (or would attain) age 31 and he is under a disability by reason of blindness (as defined in paragraph (1)), not less than one-half (and not less than 6) of the quarters during the period ending with such quarter and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage;*

*except that the provisions of subparagraph (A) of this paragraph shall not apply in the case of an individual with respect to whom a period of disability would, but for such subparagraph, begin before 1951. For purposes of subparagraph (B) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a prior period of disability unless such quarter was a quarter of coverage."*

*(b) Section 223(c)(1) of such Act is amended by striking out subparagraph (B) and inserting in lieu thereof the following:*

*"(B) (i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with the quarter in which such month occurred, or*

*"(ii) if such month ends before he attains (or would attain) age 31 and he is under a disability by reason of blindness (as defined in section 216(i)(1)), not less than one-half (and not less than 6) of the quarters during the period ending with the quarter in which such month occurred and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage."*

*For purposes of subparagraph (B) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a period of disability unless such quarter was a quarter of coverage."*

*(c) Section 223(a)(1) of such Act (as amended by section 303 of this Act) is further amended by adding the following sentence at the end thereof: "No payment under this paragraph may be made to an individual who would not meet the definition of disability in subsection (c)(2) except for subparagraph (B) thereof for any month in which he engages in substantial gainful activity, and no payment may be made for such month under subsection (b), (c), or (d) of section 202 to any person on the basis of the wages and self-employment income of such individual."*

*(d) The first sentence of section 223(c)(2) of such Act (as amended by*

section 303 of this Act) is further amended by adding after subparagraph (A) the following new subparagraph:

*“(B) in the case of an individual who has attained the age of 55 and is blind (within the meaning of ‘blindness’ as defined in section 216(i)(1), inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time.”*

(e) *The amendments made by this section shall apply only with respect to monthly benefits under title II of the Social Security Act for months after the first month following the month in which this Act is enacted, on the basis of applications for such benefits filed in or after the month in which this Act is enacted.*

And the Senate agree to the same.

Amendment numbered 485:

That the House recede from its disagreement to the amendment of the Senate numbered 485, and agree to the same with an amendment as follows:

On page 142, line 18, of the Senate engrossed amendments, strike out “\$7” and insert the following: \$5; and the Senate agree to the same.

Amendment numbered 486:

That the House recede from its disagreement to the amendment of the Senate numbered 486, and agree to the same with amendments as follows:

On page 143, line 2, of the Senate engrossed amendments, strike out “411” and insert the following: 410

On page 143, lines 6 and 11, of the Senate engrossed amendments, strike out “\$7” and insert the following: \$5

And the Senate agree to the same.

Amendment numbered 487:

That the House recede from its disagreement to the amendment of the Senate numbered 487, and agree to the same with an amendment as follows:

On page 143, line 18, of the Senate engrossed amendments, strike out “\$7” and insert the following: \$5; and the Senate agree to the same.

Amendment numbered 488:

That the House recede from its disagreement to the amendment of the Senate numbered 488, and agree to the same with an amendment as follows:

On page 146, line 1, of the Senate engrossed amendments, strike out “\$7” and insert the following: \$5; and the Senate agree to the same.

Amendment numbered 499:

That the House recede from its disagreement to the amendment of the Senate numbered 499, and agree to the same with amendments as follows:

Strike out the matter proposed to be stricken out by the Senate amendment, insert the matter proposed to be inserted by the Senate

amendment, and on page 294, line 26, of the House engrossed bill, strike out "such Act" and insert the following: *the Social Security Act*; and the Senate agree to the same.

Amendment numbered 511:

That the House recede from its disagreement to the amendment of the Senate numbered 511, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*ELIGIBILITY OF CHILDREN OVER AGE 18 ATTENDING SCHOOL*

*SEC. 409. Clause (2)(B) of section 406(a) of the Social Security Act is amended by striking out "(as determined in accordance with standards prescribed by the Secretary) a student regularly attending a high school in pursuance of a course of study leading to a high school diploma or its equivalent," and inserting in lieu thereof "(as determined by the State in accordance with standards prescribed by the Secretary) a student regularly attending a school, college, or university,".*

And the Senate agree to the same.

Amendment numbered 512:

That the House recede from its disagreement to the amendment of the Senate numbered 512, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*DISREGARDING CERTAIN EARNINGS IN DETERMINING NEED OF CERTAIN DEPENDENT CHILDREN*

*SEC. 410. Effective July 1, 1965, so much of clause (7) of section 402(a) of the Social Security Act as follows the first semicolon is amended by inserting after "except that, in making such determination," the following: "(A) the State agency may disregard not more than \$50 per month of earned income of each dependent child under the age of 18 but not in excess of \$150 per month of earned income of such dependent children in the same home, (B)".*

And the Senate agree to the same.

Amendment numbered 513:

That the House recede from its disagreement to the amendment of the Senate numbered 513, and agree to the same with amendments as follows:

On page 149, line 13, of the Senate engrossed amendments, strike out "SEC. 412." and insert the following: *Sec. 411.*

On page 149, line 18, of the Senate engrossed amendments, strike out "(a)".

On page 150, line 13, of the Senate engrossed amendments, strike out "sections." and insert the following: *sections.*"

On page 150 of the Senate engrossed amendments, strike out line 14 and all that follows through line 5 on page 152.

And the Senate agree to the same.

Amendment to title:

That the House recede from its disagreement to the amendment of the Senate to the title of the bill.

W. D. MILLS,  
CECIL R. KING,  
HALE BOGGS,  
EUGENE J. KEOGH,  
JOHN W. BYRNES,  
THOS. B. CURTIS,  
JAMES B. UTT,

*Managers on the Part of the House.*

RUSSELL B. LONG,  
GEO. A. SMATHERS,  
CLINTON P. ANDERSON,  
JOHN J. WILLIAMS,  
FRANK CARLSON,

*Managers on the Part of the Senate.*

**STATEMENT OF THE MANAGERS ON THE PART OF THE  
HOUSE**

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical clerical, clarifying, or conforming changes: 1, 3, 4, 5, 6, 10, 11, 12, 13, 14, 18, 20, 21, 22, 23, 24, 26, 27, 29, 30, 36, 37, 38, 39, 40, 41, 43, 44, 45, 46, 47, 48, 49, 49a, 49b, 51, 52, 53, 54, 56, 57, 58, 60, 61, 62, 64, 65, 68, 69, 71, 72, 73a, 75, 76, 77, 78, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 107, 108, 109, 110, 111, 112, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127a, 133, 135, 136, 139, 140, 142, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 157, 161a, 162a, 162b, 162c, 164a, 165, 168, 170, 171, 172, 173, 174, 175, 176a, 177, 179, 182a, 182b, 183, 184, 185, 185a, 185b, 187, 188, 189, 190, 194, 196, 196a, 197, 198, 199, 200, 201, 202, 204, 206, 207, 208, 209, 211, 212, 213, 214, 218, 224, 225, 226, 228, 229, 230, 231, 235, 236, 237, 238, 239, 241, 242, 243, 244, 245, 246, 252, 253, 255, 256, 257, 258, 259, 260, 261, 264, 265, 268, 269, 275, 278, 279, 280, 283, 284, 286, 287, 291, 292, 294, 297, 301, 307, 308, 310, 311, 314, 315, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 331, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 347, 348, 349, 350, 351, 354, 356, 359, 365, 369, 370, 371, 372, 375, 377, 379, 388, 390, 392, 395, 398, 450, 451, 452, 453, 454, 455, 456, 481, 482, 483, 489, 490, 493, 494, 495, 496, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, and 509.

With respect to these amendments (1) the House either recedes or recedes with amendments which are technical, clerical, clarifying, or conforming in nature; or (2) the Senate recedes in order to conform to other action agreed upon by the committee of conference.

**REQUIREMENT OF PRIOR HOSPITALIZATION FOR COVERAGE OF HOME  
HEALTH SERVICES UNDER PART A; DURATION OF SUCH SERVICES**

Amendments Nos. 2, 9, 19, 42, and 161: The House bill limited payment for home health services under part A of the new title XVIII of the Social Security Act to services furnished an individual within 1 year following his most recent discharge from a hospital in which he stayed at least 3 days or, if later, 1 year following his most recent discharge from an extended care facility in which he received covered posthospital extended care services. Under the House bill, payment would be made for up to 100 visits during such 1-year period after the

beginning of one spell of illness and before the beginning of the next such spell, and the services would be covered only if the physician certified that the individual required home health services for any of the conditions for which he was receiving inpatient hospital services or posthospital extended care services.

The Senate amendments (1) deleted the requirement of prior hospitalization; (2) removed the requirement of certification described above; and (3) provided for payment for up to 175 home health visits per calendar year.

The Senate recesses.

#### DURATIONAL LIMITATION ON INPATIENT HOSPITAL BENEFITS

Amendments Nos. 7 and 25: Under the House bill, section 1812 of the new title XVIII of the Social Security Act provided for a durational limitation on payments for inpatient hospital services of 60 days per spell of illness.

The Senate amendments modified the House provision by changing sections 1812 and 1813 of the new title XVIII of the Social Security Act to remove the durational limitation on payments for inpatient hospital services, and to provide for reducing the payment for each day after the 60th day of hospital care in each spell of illness by a deduction equal to one-fourth of the inpatient deductible (a \$10 reduction initially).

The conference agreement provides for a durational limitation on inpatient hospital benefits of 90 days per spell of illness, with payment by the program for each day after the 60th day and before the 91st day of hospital care reduced by a coinsurance amount equal to one-fourth of the inpatient hospital deductible. (This change, and other changes, in terminology from "deduction" to "coinsurance amount" help make it clear that the amounts in question are not "deductibles" for purposes of the new title XIX of the Social Security Act, relating to Federal-State medical assistance programs.)

#### DURATIONAL LIMITATION ON EXTENDED CARE SERVICES; INPATIENT PSYCHIATRIC AND TUBERCULOSIS HOSPITAL SERVICES FOR INDIVIDUAL HOSPITALIZED ON ENTITLEMENT

Amendments Nos. 8, 17, and 31: Under the House bill, sections 1812(a), 1812(c), and 1813 of the new title XVIII of the Social Security Act provided that payment would be made for posthospital extended care services for up to 20 days in a spell of illness, plus 2 additional days (up to a maximum of 80 additional days) for each day that the person's hospital stay was less than 60 days. Section 1812(d) provided that if an individual were in a tuberculosis hospital on the first day of the first month for which he was entitled to benefits under the hospital insurance program, the days on which he was an inpatient of a tuberculosis hospital in the 60-day period preceding that first day would be counted toward the 60-day maximum limit on benefit payments for inpatient hospital services in a spell of illness.

The Senate amendments provided that payment would be made for up to 100 days of posthospital extended care services in a spell of illness, with payment by the program for each day after the 20th day of such services reduced by a coinsurance amount equal to one-eighth

of the inpatient hospital deductible (a \$5 reduction initially). The Senate amendments deleted (1) the provision that payment could be made for additional days of posthospital extended care services; and (2) section 1812(d).

The House recedes with a technical amendment and an amendment providing that days in a psychiatric or tuberculosis hospital in the 90-day period immediately preceding an individual's entitlement to hospital insurance benefits will be counted toward the 90-day limitation on payments for inpatient hospital care in a spell of illness, but not toward the 190-day lifetime limitation discussed below.

#### INPATIENT PSYCHIATRIC HOSPITAL SERVICES

Amendments Nos. 15, 67, and 79: Under the House bill, section 1832(a)(2)(A) in part B of the new title XVIII of the Social Security Act provided for coverage of inpatient psychiatric hospital services, with a lifetime limit of 180 days on coverage of such services. The Senate amendments transferred coverage of inpatient psychiatric hospital services from part B to part A of title XVIII and provided for a lifetime limit of 210, rather than 180, days on coverage of inpatient psychiatric hospital services.

Under the conference agreement, inpatient psychiatric hospital services are covered under part A of the new title XVIII, and there is a lifetime limit for each individual for such coverage of 190 days.

#### POSTHOSPITAL EXTENDED CARE FOR MENTAL DISEASE

Amendments Nos. 16 and 158: Section 1861(j) of the new title XVIII, added to the Social Security Act by the House bill, excluded from the definition of an extended care facility an institution which is primarily for the care and treatment of mental diseases or tuberculosis.

The Senate amendment deleted this exclusion and added a new provision including within the lifetime limit imposed on inpatient psychiatric hospital services any days of posthospital extended care services for the care or treatment of any mental disease (whether or not such services are furnished in a facility that is primarily for the care and treatment of mental diseases).

The Senate recedes. Under the conference agreement an institution which is primarily for the care and treatment of mental diseases or tuberculosis is excluded from the definition of an extended care facility.

#### OUTPATIENT HOSPITAL DIAGNOSTIC SERVICES AND INPATIENT DEDUCTIBLE

Amendments Nos. 25, 28, and 74: Under the House bill, section 1813(a)(1) of the new title XVIII of the Social Security Act provided for crediting against the inpatient hospital deductible the amount of the outpatient hospital diagnostic deductible in certain instances where the individual was hospitalized in the same hospital after receiving outpatient diagnostic services.

Senate amendment No. 25 deleted this provision. Senate amendment No. 74 added a provision to section 1833(b) of the new title XVIII under which an outpatient diagnostic deductible imposed under

part A of title XVIII would be counted as an incurred expense for purposes of the \$50 deductible under part B. Senate amendment No. 28 added a provision to section 1813(a)(2) of the new title XVIII, under which payment by the program for outpatient hospital diagnostic services would be reduced by 20 percent of the remainder of the reasonable cost of the services after deduction of the deductible amount.

The House recedes with technical amendments and with an amendment providing that an outpatient diagnostic deductible incurred in the last 3 months of any calendar year will apply against the \$50 deductible amount under part B in the following year if it was applied against the \$50 deductible for the calendar year in which the diagnostic services were furnished.

#### ROUNDING OF INCREASES IN INPATIENT HOSPITAL DEDUCTIBLE

Amendments Nos. 32, 33, 34, and 35: The House bill provided, in section 1813(b)(2) of the new title XVIII, that in determining the amount of the inpatient hospital deductible in the future, any amount which is not a multiple of \$5 would be rounded to the nearest multiple of \$5.

The Senate amendment provided for rounding to the nearest multiple of \$4.

The House recedes.

#### EMERGENCY HOSPITAL SERVICES FURNISHED OUTSIDE THE UNITED STATES

Amendment No. 50: The Senate amendment added to the House bill a new section 1814(f) of the new title XVIII. The amendment provided for payment for certain emergency inpatient hospital services furnished outside the United States despite the general exclusion, in both the House and Senate bills, of services furnished outside the United States. Such emergency services would be covered only if the patient was within the United States when the emergency which necessitated the hospitalization occurred and only if the hospital in question was closer or substantially more accessible than comparable facilities within the United States.

The House recedes.

#### RELIEF FROM LIABILITY OF AGENCY OR ORGANIZATION WHERE CERTIFYING OR DISBURSING OFFICER IS RELIEVED OF LIABILITY

Amendments Nos. 55 and 129: The Senate amendment added to section 1816(g) and section 1842(e) of the new title XVIII provisions which would grant to agencies and organizations authorized to make payments under part A and carriers authorized to make payments under part B the same immunity from liability for incorrect payments as would be provided their certifying and disbursing officers.

The House recedes.

#### GENERAL REVENUE FINANCING OF HOSPITAL BENEFITS BEYOND THE 60TH DAY

Amendment No. 59: The Senate added an amendment to the new section 1817(a) of the Social Security Act which authorized appro-

priations from the general fund in the Treasury sufficient to place the Federal hospital insurance trust fund in the same position as if hospital insurance benefits were not payable beyond 60 days during a spell of illness.

The Senate recesses.

#### NAME OF THE SUPPLEMENTARY PROGRAM

Amendment No. 63: The House bill referred to the program provided under part B of the new title XVIII as "supplementary health insurance". The Senate amendment changed the name to "supplementary medical insurance".

The House recesses.

#### INCORPORATION OF PHYSICIANS' SERVICES IN DEFINITION OF MEDICAL AND OTHER HEALTH SERVICES AND COVERAGE OF CHIROPRACTORS' AND PODIATRISTS' SERVICES

Amendments Nos. 66, 166, and 186: Under the House bill, section 1832(a)(1) of the new title XVIII of the Social Security Act listed physicians' services and medical and other health services separately, and section 1861(s) (redesignated as 1861(r) by the Senate bill) which defined medical and other health services did not include physicians' services in the definition. Under the House bill, services of chiropractors and podiatrists were not listed as covered services.

The Senate amendments included physicians' services in the definition of medical and other health services in the redesignated section 1861(r) and did not list physicians' services separately in section 1832(a)(1). The Senate amendments also provided for coverage of chiropractors' and podiatrists' services as medical and other health services.

The conference agreement includes physicians' services in the definition of medical and other health services and the effect of the agreement is to exclude chiropractors' and podiatrists' services from coverage as medical and other health services.

#### PROFESSIONAL SERVICES OF CERTAIN MEDICAL SPECIALISTS

Amendments Nos. 70 and 141: Under the House bill, section 1861(b) of the new title XVIII excluded from the definition of inpatient hospital services the medical or surgical services of physicians. Except for the services of certain interns and residents in training, physicians' services would not be covered under part A of title XVIII but would be covered only under part B. Under section 1832(a) of title XVIII, payment could not be made under part B to a provider of services (a hospital, extended care facility, or a home health agency) for the services of a physician; the payment would have to be made to the beneficiary or, under certain circumstances, to the physician.

Senate amendment No. 141 added to section 1861(b) of the new title XVIII a provision under which payment under part A would be made for the services of physicians in the fields of pathology, radiology, physiatry, and anesthesiology when their services are provided by the hospital or under "arrangements" with the hospital. "Arrangements" would be limited to those under which receipt of payment by the hospital discharged the liability of the beneficiary or

any other person to pay for the specialist's services. Amendment No. 70 modified section 1832(a) of the new title XVIII to permit payment to be made under part B of the new title to a provider of services for physicians' services in the fields of pathology, radiology, physiatry, or anesthesiology where the physician's services were furnished by the physician under arrangements with the provider of services.

The conference agreement follows the House bill with a technical amendment on Senate amendment No. 70.

OPTION TO RECEIVE PAYMENT ON BASIS OF COST INSTEAD OF CHARGES  
FOR PREPAYMENT ORGANIZATIONS

Amendment No. 73: Section 1833(a)(1) of the new title XVIII, added by the House bill, required that payment under part B of the new title for physicians' services and for other medical and health services not furnished by a provider of services (a hospital, extended care facility, or home health agency) must be made on the basis of charges rather than cost.

Senate amendment No. 73 modified this provision to provide, for group practice prepayment plans, the option of having the program pay, with respect to the covered services (including physicians' services) they furnish their members, 80 percent of reasonable cost instead of 80 percent of reasonable charges.

The House recedes.

ELIGIBILITY REQUIREMENTS FOR ALIENS

Amendments Nos. 95, 215, and 216: Section 103(a)(4) of the House bill provided that an alien who otherwise meets the eligibility requirements under the transitional provision providing eligibility for certain uninsured individuals under part A of the new title XVIII must also, to be eligible, have resided continuously in the United States for 10 or more years immediately preceding the month in which he applied for hospital insurance protection. Section 1836 of the new title XVIII, under the House bill, provided that an alien who otherwise meets the eligibility requirements for enrollment under part B of the new title, must also, to be eligible, have been lawfully admitted for permanent residence in the United States.

Senate amendment No. 215 added, to the eligibility requirements of the House bill for an alien under the transitional provision for eligibility under part A, the requirement that the alien have been lawfully admitted for permanent residence; and amendment No. 216 reduced the required period of continuous residence in the United States from 10 years to 6 months. Amendment No. 95 added, to the eligibility requirements of the House bill for an alien under part B of title XVIII, the requirement that the alien must have resided continuously in the United States for 10 or more years immediately preceding the month in which he applied for enrollment under part B.

Under the conference agreement, to be eligible for the transitional provision for purposes of part A, an alien must have been lawfully admitted for permanent residence in the United States and must have resided continuously for 5 or more years immediately preceding application for benefits. For enrollment under part B, an alien must either (1) have been lawfully admitted for permanent residence in

the United States and have resided continuously in the United States for 5 or more years immediately preceding application for enrollment; or (2) be entitled to hospital insurance benefits under part A.

**TIME FOR ENROLLMENT IN THE SUPPLEMENTARY INSURANCE PROGRAM**

Amendments Nos. 96, 97, 98, 99, and 100: The House bill provided under section 1837 of the new title XVIII that individuals who reach age 65 before 1966 would have an enrollment period beginning with the second month after the month of enactment of the bill and ending on March 31, 1966. The House bill also provided for there to be general enrollment periods during the last quarter of odd-numbered years beginning with 1967.

The Senate amendments provided for an enrollment period during the second and third quarters of 1966 for persons who reach age 65 before July 1966 and general enrollment periods during the last quarter of even-numbered years beginning in 1968.

The conference agreement follows the House bill, with a technical amendment.

**EFFECTIVE DATE FOR BENEFITS UNDER THE SUPPLEMENTARY INSURANCE PROGRAM**

Amendment No. 101: This amendment modified section 1838(a)(1) of the new title XVIII by providing that payment would be made under part B for services furnished on or after January 1, 1967, rather than for services furnished on or after July 1, 1966.

The Senate recedes.

**BEGINNING DATE OF COVERAGE PERIOD UNDER THE SUPPLEMENTARY INSURANCE PROGRAM**

Amendment No. 102: Under the House bill, section 1838(a) of the new title XVIII provided that an individual who enrolled under part B of the new title during the 7-month enrollment period beginning with the third month before the month he reached age 65 would have protection under the supplementary insurance program beginning with the third month following the month in which he enrolled.

Under Senate amendment No. 102, the same 7-month enrollment period is retained but the individual's coverage would take effect as follows: If the individual enrolled before the month in which he attained age 65, the insurance would take effect with the month in which he attained age 65; if he enrolled in the month in which he attained age 65, the insurance would take effect with the following month; if he enrolled in the month following the month in which he attained age 65, it would take effect with the second month following the month of enrollment; if he enrolled more than 1 month following the month in which he attained age 65, the insurance would take effect with the third month following the month in which he enrolled.

The House recedes.

**YEARS WHEN PREMIUM AMOUNTS APPLY AND ARE DETERMINED**

Amendments Nos. 103, 104, 105, and 106: Under the House bill, section 1839 of the new title XVIII provided that monthly premiums under the supplementary insurance program would be \$3 until 1968.

For 1968 and subsequent years, the monthly premiums would be subject to change. The Secretary of Health, Education, and Welfare would, between July 1 and October 1, 1967, and each odd-numbered year thereafter, determine and promulgate the monthly premium.

The Senate amendment provided for the \$3 premium amount to remain in effect through 1968 and for changes in premiums to be determined by the Secretary in 1968 and each even-numbered year thereafter.

The Senate recesses.

DEDUCTION FROM CIVIL SERVICE ANNUITIES OF PREMIUMS UNDER THE  
SUPPLEMENTARY INSURANCE PROGRAM

Amendment No. 113: This amendment added to section 1840 of the new title XVIII a new subsection (e) authorizing the withholding of premiums of an enrolled individual from the annuity he receives under the civil service retirement system or any other retirement system administered by the Civil Service Commission. If the wife of such an individual was also enrolled, and he agreed, her premium could also be withheld from his monthly annuity.

The House recesses.

ADMINISTRATION OF BENEFITS UNDER THE SUPPLEMENTARY INSURANCE  
PROGRAM

Amendment No. 127: Under the House bill, section 1842(a) of the new title XVIII required the Secretary of Health, Education, and Welfare, to the extent possible, to enter into contracts with carriers which would perform specified functions with respect to administration of all benefits under part B of the new title.

The Senate amendment authorized the Secretary to enter into such contracts with carriers (including carriers which are agencies or organizations with which agreements for administration of pt. A benefits are in effect), and, with respect to functions which involve payments for physicians' services, the Secretary was required, to the extent possible, to enter into such contracts.

The House recesses.

REASONABLE CHARGES UNDER THE SUPPLEMENTARY INSURANCE  
PROGRAM

Amendment No. 128: The Senate amendment added to section 1842(b)(3) of the new title XVIII a sentence expressly requiring that, in the determination of reasonable charges for covered services under part B of the new title, consideration be given to the customary charges generally made by the physician or other person for furnishing such services as well as the prevailing charges in the locality for similar services.

The House recesses.

STATE AGREEMENTS FOR ENROLLMENT UNDER SUPPLEMENTARY INSURANCE  
PROGRAM OF AGED RECIPIENTS OF CASH PUBLIC ASSISTANCE

Amendments Nos. 130, 131, 132, and 134: The House bill provided that States could, before July 1, 1967, agree with the Secretary to

enroll their aged public assistance recipients (those receiving money payments) in the supplemental medical insurance program under part B of title XVIII. The States would pay the premiums for these recipients.

The Senate amendments extended the period during which such agreements could be made to January 1, 1968.

The House recesses.

TIME OF APPROPRIATION TO SUPPLEMENTARY INSURANCE TRUST FUND  
FOR CONTINGENCY RESERVE

Amendments Nos. 137 and 138: The Senate amendment modified section 1844(b) of the new title XVIII to remove the requirement that appropriation of funds to the supplementary medical insurance trust fund for the contingency reserve be made during fiscal year 1966 and to provide that an appropriation so made would remain available through calendar year 1968.

Under the conference agreement, the authorization of appropriations is not limited to the fiscal year 1966, and moneys appropriated pursuant to this authorization are to remain available through the calendar year 1967.

DENTAL INTERNS

Amendment No. 143: The Senate amended the definition, in the new section 1861(b) of the Social Security Act, of the inpatient hospital services to be paid for under the hospital insurance program by adding the services of dental interns and residents-in-training who are under a teaching program approved by the Council on Dental Education of the American Dental Association.

The House recesses.

INDIVIDUAL NOT CONSIDERED DISCHARGED FROM EXTENDED CARE  
FACILITY IF ADMITTED TO SAME OR ANOTHER FACILITY WITHIN 14  
DAYS

Amendment No. 156: Under the House bill, section 1861(i) of the new title XVIII provided that, for purposes of determining whether an extended care facility patient meets the requirement of transfer from a hospital, an individual would not be considered to have been discharged from an extended care facility if he is readmitted to the same facility within 14 days.

The Senate amendment modified this provision so as to provide that an individual would not be considered to have been discharged from an extended care facility if within 14 days he is admitted to the same or any other extended care facility.

The House recesses with technical amendments.

CHRISTIAN SCIENCE NURSING HOMES

Amendment No. 159: The Senate amendment added to the new section 1861(j) of the Social Security Act a provision which would have included Christian Science nursing homes within the term "extended care facility." Payments to such nursing homes would have been subject to regulations of the Secretary.

The conference agreement deletes this provision and provides instead that Christian Science sanatoriums would be included within the definition of an extended care facility. Payment for posthospital extended care services in such facilities would be subject to special limitations, to be prescribed in regulations; services in such facilities would be covered as posthospital extended care services only if the individual elected to have them so covered; payment for posthospital extended care services would be made with respect to services furnished any individual in either Christian Science sanatoriums or in regular extended care facilities, but not in both, during the same spell of illness; payment would be made for up to 30 days only in each spell of illness (instead of the 100 days applicable with respect to extended care services generally) and payment for each day of such services (instead of each day after the 20th day) would be reduced by a coin-surance amount equal to one-eighth of the inpatient hospital deductible (a \$5 reduction initially).

#### HOSPITAL-EXTENDED CARE FACILITY TRANSFER ARRANGEMENTS

Amendment No. 160: The House bill provided, in section 1861(l) of the new title XVIII, that an extended care facility may be deemed to have a transfer agreement in effect with a hospital under certain circumstances if the facility has attempted to enter into such an agreement with a hospital near the facility. The Senate amended this provision to make it clear that the facility may be deemed to have a transfer agreement in effect whether or not the hospital with which it has attempted to make the agreement is within the State or otherwise.

The conference agreement omits this clarification since under the House bill there was no requirement that the hospital be in the same State as the extended care facility.

#### DEFINITION OF HOME HEALTH AGENCY

Amendment No. 162: The House bill excluded organizations primarily for psychiatric care from the definition of "home health agency" in the section of the new title XVIII designated 1861(o) in the House bill and 1861(n) in the Senate bill.

The amendment added by the Senate removed that exclusion and added a provision including a Christian Science visiting nurse service within the meaning of the term "home health agency."

The Senate recedes.

#### DEFINITION OF PHYSICIAN

Amendments Nos. 163 and 164: The Senate amendments modified the definition of "physician" (in the new section of the Social Security Act designated as sec. 1861(r) in the House bill and 1861(q) in the Senate amendments) to mean (1) a doctor of medicine or osteopathy legally authorized to practice medicine and surgery (including osteopathy); and (2) a doctor of dentistry or of dental or oral surgery who is legally authorized to practice dentistry, but only with respect to surgery related to the jaw or the reduction of any fracture of the jaw or any facial bone.

The House recedes.

## COVERAGE OF SERVICES INCIDENTAL TO PHYSICIANS' SERVICES

Amendment No. 167: The Senate amendment added to the definition of covered medical and other health services in section 1861(s) of the new title XVIII (redesignated as sec. 1861(r) by the Senate amendments) certain services and supplies incidental to physicians' services.

The House recedes.

## DELETION OF SPECIFICATION OF SOME DIAGNOSTIC TESTS

Amendment No. 169: This amendment deleted reference to some specific diagnostic tests covered under the supplementary medical insurance program since they are included under the more general phrase "other diagnostic tests."

The House recedes with a clarifying amendment.

## STANDARDS FOR INDEPENDENT LABORATORIES PERFORMING DIAGNOSTIC TESTS UNDER SUPPLEMENTARY PROGRAM

Amendment No. 176: This amendment added to section 1861(s) of the House bill new paragraphs (10) and (11) providing that diagnostic tests performed in a laboratory which is independent of a physician's office or of a hospital would be covered under the supplementary program only if the laboratory is licensed under applicable State or local law or meets standards for such licensing and only if it meets such other requirements relating to the health and safety of individuals with respect to whom tests are performed as the Secretary of Health, Education, and Welfare finds necessary.

The House recedes.

## INCLUSION OF HOMEOPATHIC PHARMACOPOEIA AND DRUGS APPROVED BUT NOT LISTED IN APPROVED FORMULARIES

Amendment Nos. 178 and 180: These amendments modified the definition of drugs and biologicals for which payment would be made under the hospital insurance program by adding the United States Homeopathic Pharmacopoeia to the list of drug formularies to be used and by specifying that drugs approved for listing in the approved formularies, although not actually listed, would be included.

The House recedes.

## COMBINATIONS OF DRUGS OR BIOLOGICALS

Amendment No. 181: This amendment added to section 1861(t) of the House bill a new clause expressly providing that combination drugs would be included in the definition of drugs and biologicals for which payment could be made where the principal ingredient, or ingredients, are listed in the formularies specified in the bill.

The Senate recedes.

## HOSPITAL-COMMITTEE APPROVED DRUGS

Amendment No. 182: The House bill provided, in section 1861(t) in the new title XVIII (redesignated as sec. 1861(s) by the Senate), that the definition of the drugs and biologicals for which payment

could be made under part A of title XVIII would include drugs and biologicals approved by the pharmacy and drug therapeutics committee (or equivalent committee) of the hospital furnishing such drugs and biologicals. The Senate amendment added the requirement that such drugs and biologicals must be approved by such committee for use in such hospital.

The House recedes with a clerical amendment. Under the conference agreement, the hospital committee may approve a drug or biological either for general use in the hospital or for a particular patient or group of patients therein.

#### ROUTINE DENTAL CARE

Amendment No. 191: The Senate amendment added to section 1862 of the new title XVIII an exclusion from coverage under the hospital insurance and medical insurance programs of expenses for services in connection with the care, treatment, filling, removal, or replacement of teeth or structures directly supporting the teeth.

The House recedes.

#### HEALTH AND SAFETY REQUIREMENTS

Amendments Nos. 192 and 193: The House bill provided, in section 1863 of the new title XVIII, that conditions for the participation of institutions and agencies relating to health and safety may, at the request of a State, be higher for that State than for other States; in the case of hospitals, the higher requirements could not have been higher than the comparable standards set by the Joint Commission on Accreditation of Hospitals.

The Senate amendment deleted the reference to this limitation (to standards set by the Joint Commission) from the provisions authorizing use of higher health and safety requirements for institutions at the request of a State and further required the Secretary of Health, Education, and Welfare to impose health and safety requirements for institutions in a State (or political subdivision of a State) higher than those of the Joint Commission if the State (or subdivision) imposed such higher requirements as a condition to the purchase of services in such institutions under a State medical assistance plan.

The House recedes with technical conforming amendments and an amendment requiring the imposition of such higher requirements as a condition to the payment for only certain specified services if the State (or subdivision) imposes them as a condition to the purchase of such specified services under such a State medical assistance plan.

#### CERTIFICATION OF INSTITUTIONS AND AGENCIES BY STATE AGENCIES

Amendment No. 195: Section 1864(a) of the House bill provided that, where a State (or local) agency with which the Secretary of Health, Education, and Welfare had an agreement for the purpose of determining which institutions and agencies qualify to participate in the programs under title XVIII, the Secretary could accept such agency's certification that an institution or agency is a provider of services.

Under the Senate amendment, the Secretary would be required to accept the certification by a State agency that an institution or agency

is a provider of services unless he determined that the institution or agency was so inadequate as to endanger the life or health of the patients.

The Senate recesses.

#### MINIMUM APPEALS AMOUNT

Amendment No. 203: Section 1869(b) of the House bill provided that any individual dissatisfied with any determination as to the amount of benefits under part A of the new title XVIII where the matter in controversy is \$1,000 or more would be entitled to a hearing thereon by the Secretary of Health, Education, and Welfare and to judicial review of the Secretary's final decision.

Under the Senate amendment such an individual would be entitled to a hearing and to judicial review where the amount in controversy is \$100 or more.

Under the conference agreement an individual would be entitled to a hearing by the Secretary when the amount in controversy is \$100 or more and would be entitled to judicial review of the Secretary's final decision where the amount in controversy is \$1,000 or more. The provisions of section 205 of the Social Security Act and of the Administrative Procedure Act would apply to the administrative and judicial review provided for in the new section 1869(b) to the same extent as they now apply to the appellate procedures for cash benefits under existing law.

#### OVERPAYMENTS ON BEHALF OF INDIVIDUALS

Amendment No. 205: Section 1870 of the House bill provided that, where an overpayment under part A or B of title XVIII was made and could not be recouped, subsequent cash social security benefits or railroad retirement benefits payable to the individual (or, if such individual dies, benefits payable to others based on his earnings), would be reduced in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare, after consultation with the Railroad Retirement Board.

Under the Senate amendment, section 1870 provided that, where the Secretary found that an overpayment under part A or B of title XVIII was made and could not be recouped, proper adjustment or recovery would be made under regulations prescribed by the Secretary after consultation with the Railroad Retirement Board. The Secretary would make the proper adjustment or recovery by (a) decreasing any payment under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as the case may be, to which such individual is entitled; or (b) requiring such individual or his estate to refund the amount in excess of the correct amount; or (c) decreasing any payment under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as the case may be, payable to the estate of such individual or to any other person on the basis of the wages and self-employment income (or compensation) which were the basis of the payments to such individual; or (d) by applying any combination of the foregoing.

The conference agreement contains the House provision with technical changes.

## STUDY OF FEASIBILITY OF DRUG COVERAGE

Amendment No. 210: This amendment added to the new section 1875 of the Social Security Act a provision requiring the Secretary of Health, Education, and Welfare to study the feasibility of covering prescription drugs under part B of the new title XVIII and to report his findings to the Congress on or before June 30, 1966.

The Senate recedes.

## ADVANCE FILING UNDER TRANSITIONAL PROVISION

Amendment No. 217: The House bill provided that an application to establish hospital insurance eligibility under section 103 of the bill would not be valid if filed before the first month in which the uninsured individual meets the various eligibility requirements.

The Senate amendment permits filing as early as the third month preceding that month.

The House recedes.

## EXCLUSION OF PERSONS COVERED UNDER THE FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959

Amendment No. 219: The House bill excluded from hospital insurance protection under section 103 of the bill those uninsured persons who are or could have been covered under the Federal Employees Health Benefits Act of 1959.

The Senate amendment modified this exclusion so that it would apply only to individuals who actually are enrolled under that act.

The conference agreement excludes an individual who (1) at the beginning of the first month in which he meets the requirements of section 103(a) of the bill, is covered by an enrollment in a plan under the Federal Employees Health Benefits Act of 1959; (2) was so covered on February 16, 1965; or (3) could have been so covered for such first month if he or some other person had availed himself of opportunities to enroll or continue enrollment (but this last of the three grounds for exclusion would apply only if the individual or such other person was a Federal employee after February 15, 1965). The above three grounds for exclusion would not apply with respect to any month for which an individual is not covered under such a health benefits plan because he or another person separated from Federal service and was not eligible to continue such coverage after separation.

It is hoped that the comprehensive study of retirement provisions for Federal personnel which the executive branch has initiated will include a reexamination of existing health insurance programs for Federal personnel in the light of the hospital insurance and supplementary medical insurance programs established by this bill.

## TIME FOR REIMBURSEMENT OF HOSPITAL INSURANCE TRUST FUND FOR PAYMENTS TO THE UNINSURED

Amendments Nos. 220, 221, 222, and 223: The Senate amendments provided that the amounts to be paid under section 103 of the bill from the general fund to the Federal hospital insurance trust fund for uninsured persons for a fiscal year could be appropriated at the beginning of that year.

The House recedes.

## MEDICAL EXPENSE DEDUCTION

Amendment No. 227: Under existing law, taxpayers generally may deduct expenses for medical care only to the extent that they exceed 3 percent of adjusted gross income. Also, in the case of medicine and drugs, taxpayers generally may take into account only the aggregate of the amounts paid in excess of 1 percent of adjusted gross income. However, the 3-percent and 1-percent limitations are not applicable in the case of expenses paid (1) for the care of the taxpayer and his spouse if either has attained age 65 before the close of the taxable year; or (2) for the care of a dependent mother or father of the taxpayer or his spouse, if such mother or father has attained age 65 before the close of the taxable year. Under the House bill, the 3-percent and 1-percent limitations apply without regard to age, but an amount (not in excess of \$250) equal to one-half of the expenses for insurance which constitutes medical care may be deducted without regard to the 3-percent limitation. Senate amendment No. 227 struck out these provisions of the House bill.

Under the conference agreement, the 3-percent and 1-percent limitations will apply without regard to age and an amount (not in excess of \$150) equal to one-half of the expenses for insurance which constitutes medical care may be deducted without regard to the 3-percent limitation.

Amendments Nos. 232 and 233: The bill, as passed by the House, provides, in effect, in the case of an insurance contract under which amounts are payable for other than medical care, that no amount may be taken into account as a medical expense unless the charge is separately stated in the insurance contract. Under the Senate amendments the charge may alternatively be furnished in a separate statement.

The House recedes.

Amendment No. 234: Under existing law, the deduction for medical expenses is limited to \$10,000 (or \$20,000 in case of joint returns, etc.), except that special maximum limitations apply if the taxpayer or his spouse (\$20,000), or both the taxpayer and his spouse (\$40,000), are 65 and disabled. Under the House bill the special limitations would apply without regard to age. Under the Senate amendment all maximum limitations are repealed.

The House recedes with technical amendments. The conferees on the part of the House, in accepting this amendment, recognize that the removal of the ceiling on medical expense deductions, while generally desirable, may raise problems in connection with amounts claimed as medical expense deductions for facilities, devices, services, and transportation which are of the types customarily used, or taken, primarily for other than medical purposes. In some cases, for example, taxpayers have been able to sustain claims for medical deductions for part or all of the costs of installing swimming pools in their yards, air-conditioning systems in their homes, and transportation expenses which may be relatively extensive. Removing the ceiling on medical expense deduction may increase the aggregate amount claimed for deductions of these types. Therefore, the conferees, both on the part of the House and on the part of the Senate, in removing the ceiling on medical expense deductions recognize the desirability of considering legislation dealing with the definition of allowable medical expense deductions.

## NURSING HOME STUDY

Amendments Nos. 240 and 247: The Senate amendments added a provision to section 109 of the bill requiring the Secretary of Health, Education, and Welfare to appoint an Advisory Council on Social Security to study nursing homes and other extended care facilities. The Council would, within 1 year after enactment of the bill, submit its report with recommendations regarding the action necessary to make maximum use of extended care facilities to provide high quality care under the hospital insurance program.

The Senate recesses.

## HOSPITAL INSURANCE FOR RAILROAD BENEFICIARIES

Amendment No. 248: The House bill, through various amendments to the Railroad Retirement Act of 1937, the Railroad Retirement Tax Act, the Federal Insurance Contributions Act, and the Social Security Act, provided health insurance benefits for railroad beneficiaries under the social security program, with hospital insurance taxes imposed under the Federal Insurance Contributions Act.

Senate amendment No. 248 added to the House bill a new section (sec. 111), which, subject to an effective date proviso, provided for imposing hospital insurance taxes on railroad employment under the Railroad Retirement Tax Act, with exchanges of funds with respect to hospital insurance benefits for railroad beneficiaries to be made through financial interchange provisions comparable to those which now apply to old-age, survivors, and disability insurance benefits. The Senate amendment would authorize the Railroad Retirement Board to make determinations as to the rights of railroad retirement beneficiaries to hospital insurance benefits, and to enter into agreements with Canadian hospitals and with hospitals devoted primarily to railroad employees for the purpose of providing hospital insurance benefits for railroad retirement beneficiaries. The Senate amendment would become effective only after the enactment of amendments to the Railroad Retirement Tax Act increasing the maximum amount of monthly compensation taxable under that act to an amount equal to or in excess of one-twelfth of the maximum annual earnings creditable under the hospital insurance program. The House recesses with an amendment.

The conference agreement would delete the provisions in the Senate amendment giving the Railroad Retirement Board authority to enter into agreements with railroad hospitals, and providing for payments to suppliers of services from the railroad retirement account. Under the conference agreement, the Railroad Retirement Board would, as under the Senate amendment, make determinations as to the right of railroad retirement beneficiaries to hospital insurance benefits, but the administration of the benefits provided would be under the social security program. Under the conference agreement the contributions for hospital insurance for railroad workers would be collected in combination with the railroad retirement contributions on the railroad retirement tax base, and the amount of the contributions on the social security base would be transferred from the railroad retirement account to the hospital insurance trust fund through the financial interchange provisions. The effective date provisions of

the Senate amendment would be changed so that the provisions of the bill as passed by the House would be effective for any year during which the railroad retirement taxable wage base (on an annual basis) is different from that of social security.

ADDITIONAL UNDER SECRETARY AND TWO ADDITIONAL ASSISTANT  
SECRETARIES OF HEALTH, EDUCATION, AND WELFARE

Amendment No. 249: The Senate amendment added to the House bill a new section (sec. 112) providing for an additional Under Secretary of Health, Education, and Welfare and two additional Assistant Secretaries of Health, Education, and Welfare. The House bill contained no such provision.

The Senate recesses.

REQUIREMENT OF STATE FUNDS TO MEET NON-FEDERAL SHARE OF  
MEDICAL ASSISTANCE EXPENDITURES

Amendment No. 250: Under the House bill the new title XIX of the Social Security Act required (effective July 1, 1970) a State plan for medical assistance to provide that all of the non-Federal funds under it shall be from State, rather than from State and local sources.

The Senate amendment provided as an alternative that, if a State, on an equalization or other basis, could assure that lack of adequate funds from local sources would not result in lowering the amount, duration, scope, or quality of care and services available under the plan, local funds could continue to be utilized to meet the non-Federal share of expenditures under the plan.

The House recesses.

NATURE OF STATE AGENCY REQUIRED TO ADMINISTER STATE MEDICAL  
ASSISTANCE PROGRAM

Amendment No. 251: Under the House bill, the new title XIX of the Social Security Act provided that an approved program of medical assistance would have to be administered (or its administration supervised) by the State agency responsible for the administration of title I or title XVI (insofar as it relates to the aged) of the Social Security Act.

Senate amendment No. 251 permitted the establishment or designation of any single State agency to administer or supervise the administration of the plan, but required that the determination of eligibility for medical assistance under the plan be made by the State or local agency responsible for administering the State plan approved under such title I or XVI.

The House recesses.

REQUIRED HEALTH AND SAFETY STANDARDS

Amendment No. 254: This amendment added to the House bill a requirement that after June 30, 1967, the requirements and standards established by States under the medical assistance program under the new title XIX must include any requirements contained in standards established by the Secretary relating to protection

against fire and other hazards to the health and safety of individuals in public or private institutions.

The House bill contained no comparable provision.

The Senate recesses.

#### SPECIAL REQUIREMENTS RELATING TO ASSISTANCE FOR RECIPIENTS IN MENTAL OR TUBERCULOSIS INSTITUTIONS

Amendments Nos. 262, 263, 271, 298, 299, 300, 302, 303, and 304: The House bill imposed certain special requirements for State medical assistance and other Federal-State public assistance programs if the State chooses to include persons aged 65 or over who are patients in hospitals for mental disease or tuberculosis.

Under the Senate amendments, these special provisions applied only in the case of patients in hospitals for mental diseases.

The House recesses.

#### STANDARDS TO ASSURE HIGH QUALITY OF MEDICAL ASSISTANCE

Amendment No. 266: This amendment required that approved State plans for medical assistance describe the various standards, methods, and arrangements the State expects to use to assure that medical or remedial care provided to recipients of medical assistance is of high quality. The House bill contained no comparable provision.

The House recesses.

#### FREEDOM TO CHOOSE AGENCY OR PERSON PROVIDING MEDICAL SERVICES

Amendment No. 267: This amendment provided that an individual entitled to medical assistance under an approved State plan (under the new title XIX) might obtain such assistance from any institution, agency, or person qualified to perform the service or services required. The House bill contained no comparable provision.

The Senate recesses.

#### FEDERAL SHARE OF TRAINING EXPENDITURES

Amendment No. 270: The House bill provided 75 percent Federal participation in expenditures, under an approved State plan for medical assistance, which are attributable to compensation of skilled, professional medical personnel, and staff directly supporting such personnel.

Senate amendment No. 270 provided the same Federal share of expenditures for the training of such personnel.

The House recesses.

#### EXTENSION OF STATE MEDICAL ASSISTANCE PLANS

Amendment No. 272: The House bill contained a provision requiring approved State plans for medical assistance to show that they were being expanded with a view toward furnishing, by July 1, 1975, comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources.

A Senate amendment changed this date to approximately 10 years following the taking effect of the State plan.

The Senate recesses.

#### MEDICAL ASSISTANCE FOR MEDICALLY NEEDY FAMILIES

Amendments Nos. 273 and 274: The House bill included among those eligible for medical assistance under the State plans approved under the new title XIX all children and their relatives responsible for their care who would, if needy, be eligible for aid to families with dependent children (i.e., families in which children are deprived of parental support by reason of the death, absence, incapacity, or unemployment of a parent). Senate amendments Nos. 273 and 274 expanded the definition of eligible persons to include all medically needy children and relatives responsible for their care.

The House recesses with an amendment to include all such children, but limiting the eligibility of relatives to those in families which would, if needy, be eligible for aid to families with dependent children.

#### NURSING HOME SERVICES AND DENTAL SERVICES

Amendments Nos. 276 and 277: Under the House bill, an approved State plan was required to include skilled nursing home services for all individuals eligible for medical assistance. Dental services could be provided, with Federal financial aid, if the States wished.

The Senate amendments included skilled nursing home services as a required service for individuals aged 21 or over, and dental services as a required service for individuals under age 21. They made skilled nursing home services and dental services for individuals of other ages optional.

Under the conference agreement skilled nursing home services would be required for individuals aged 21 or over, but dental services would be optional with the States for persons of all ages.

#### TERMINATION OF FEDERAL FUNDS FOR MEDICAL CARE UNDER EXISTING PUBLIC ASSISTANCE PROGRAMS

Amendment No. 281: The House bill terminated Federal sharing in aid or assistance in the form of medical or any other type of remedial care under titles I, IV, X, XIV, and XVI of the Social Security Act with respect to any period after June 30, 1967.

Senate amendment No. 281 continued authorization under the other public assistance titles indefinitely.

The House recesses with an amendment establishing the termination date of Federal financial participation in such aid or assistance under the other titles as December 31, 1969.

#### EFFECT UNDER OTHER PUBLIC ASSISTANCE PROGRAMS OF DISREGARD OF INCOME UNDER ANY SUCH PROGRAM

Amendment No. 282: A provision of the House bill required that any income which is disregarded or set aside under any other public assistance title must also be disregarded under title XIX (a comparable provision under existing law applies to title X of the Social Security Act).

The Senate amendment extended this principle to all of the public assistance titles.

The House recesses.

NOTICE CONCERNING BENEFITS PROVIDED UNDER TITLE XVIII OF THE  
SOCIAL SECURITY ACT

Amendment No. 285: This amendment added a new section 123 to the bill to require the Secretary of Health, Education, and Welfare, before July 1, 1966, to provide personal notice containing specified information relating to benefits under the new title XVIII of the Social Security Act to individuals whom the Secretary has reason to believe will be entitled to benefits under part A of the new title XVIII.

The Senate recesses. It is the understanding of the conferees, on the part of both the House and the Senate, that the appropriate officers and employees of the Social Security Administration will take all feasible steps to give full information, by personal notice and by other means, with respect to the hospital insurance program to individuals who will be eligible for the benefits of such program when it goes into effect or who thereafter become eligible for such benefits.

PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN  
(INCLUDING THE EMOTIONALLY DISTURBED)

Amendments Nos. 288, 289, 290, and 293: The House bill amended title V of the Social Security Act by adding a new section 532 authorizing a 5-year program of project grants to promote the health of children of school age or preschool age.

The Senate amendments increased the appropriation authorizations for fiscal years 1968, 1969, and 1970 by \$5 million each and added a specific authorization for project grants for the identification, care, and treatment of emotionally disturbed children.

The Senate recesses.

APPROPRIATION AUTHORIZATIONS FOR CHILD WELFARE SERVICES

Amendment No. 295: This amendment increased the authorization for child welfare services to the same levels provided in the House bill for maternal and child health and crippled children's services. No provision was included in the House bill.

The House recesses with technical amendments.

DAY CARE SERVICES IN CHILD WELFARE SERVICES PROGRAM

Amendment No. 296: This amendment repealed the provisions in title V of the Social Security Act which earmark, for day care services, up to \$10 million per year of the appropriation for child welfare services.

The House bill did not deal with these existing provisions of the Social Security Act.

The House recesses, but with an amendment postponing the effective date of the repeal to January 1, 1966.

## HEALTH STUDY OF RESOURCES RELATING TO CHILDREN'S EMOTIONAL ILLNESS

Amendment No. 305: This amendment authorized \$500,000 each for fiscal years 1966 and 1967 for grants for a program to study our resources for finding, preventing, and treating children's emotional illness. No comparable provision was contained in the House bill.

The House recedes.

## BENEFIT AMOUNTS

Amendments Nos. 306 and 309: Section 301(a) of the House bill amended section 215(a) of the Social Security Act to provide a new benefit table for determining primary insurance amounts and maximum family benefits, based on the \$5,600 contribution and benefit base scheduled by the House bill to be effective for the years 1966 through 1970. Section 301(f) of the House bill revised and extended the benefit table, effective with monthly benefits payable for months after 1970, to take account of the \$6,600 annual contribution and benefit base that the House bill would make effective for years after 1970.

To take account of the fact that the Senate amendments provide for the \$6,600 contribution and benefit base to be effective for years after 1965, Senate amendment No. 306 substituted for the benefit table in section 301(a) of the House bill a new table corresponding to the table in section 301(f) of the House bill. Senate amendment No. 309 deleted section 301(f) of the House bill.

The House recedes.

## DISABILITY INSURANCE BENEFITS

Amendment No. 312: Under existing law, the term "disability" is defined as inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. The bill as passed by the House struck out the requirement that the individual's impairment be one which can be expected to result in death or to be of long-continued and indefinite duration. The effect, in general, would be to take an impairment into account for disability freeze and disability insurance benefit purposes if the period of disability included 6 consecutive calendar months.

Under Senate amendment No. 312, the impairment must be one which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

The House recedes with a technical amendment.

Amendment No. 313: Under existing law (sec. 216(i)(2)) a period of disability ends with the second month after the month in which the disability ceases. Under the bill as passed by the House, if the individual was under a disability for a continuous period of less than 18 calendar months the period of disability would end with the first month after the disability ceased.

Senate amendment No. 313 would in effect retain the rule of existing law.

The House recedes.

Amendments Nos. 316 and 317: Under existing law, an individual's entitlement to disability insurance benefits (in general) begins with the first month after his 6-month waiting period and ends with the second month following the month in which his disability ceases. Under the bill as passed by the House benefits would (in general) begin with the last month of the waiting period and end as provided by existing law except they would end with the first month following such cessation if the individual was under a disability for a continuous period of less than 18 calendar months.

Under Senate amendments Nos. 316 and 317 the rule of existing law as to the period of entitlement to benefits would be retained. Under both the bill as passed by the House and the Senate amendments the requirement that the application be filed while under a disability is eliminated.

The House recedes on Senate amendment No. 316 with a technical amendment, and recedes on Senate amendment No. 317.

#### SIMULTANEOUS ENTITLEMENT TO A DISABILITY INSURANCE BENEFIT AND AN OLD-AGE INSURANCE BENEFIT

Amendment No. 325: Section 304(a) of the House bill provided that where a worker is simultaneously entitled to an old-age insurance benefit and a disability insurance benefit, only the disability insurance benefit would be payable.

The Senate amendment provides that where a worker is entitled for any month to both a disability insurance benefit and an old-age insurance benefit he is to receive the larger benefit, unless he elects to receive the smaller benefit.

The House recedes.

#### DISABILITY INSURANCE TRUST FUND

Amendments Nos. 329 and 330: The House bill allocated to the Federal disability insurance trust fund three-fourths of 1 percent (0.75 percent) of taxable wages and nine-sixteenths of 1 percent (0.5625 percent) of taxable self-employment income (0.50 percent of wages and 0.375 percent of self-employment income in existing law) to meet the cost of the disability provisions of existing law and the amendments to these provisions made by the House bill.

The Senate amendment allocated to the disability insurance trust fund 0.76 percent of taxable wages and 0.57 percent of taxable self-employment income to meet the cost of the disability program as amended by the Senate bill.

The conference agreement allocates to the Federal Disability Insurance Trust Fund 0.70 percent of taxable wages and 0.525 percent of taxable self-employment income to meet the cost of the disability program under the conference agreement.

#### CHILDHOOD DISABILITY BENEFITS

Amendments Nos. 332, 333, and 346: Section 306 of the House bill, relating to the payment of child's insurance benefits to children age 18 through 21 attending school, made no change (other than changes conforming to the changes in the disability provisions under sec. 303

of the House bill) in the provision for paying child's insurance benefits after age 18 to an individual whose disability began before age 18.

The Senate amendment modified section 306 by removing the changes conforming the section to the disability provisions in the House bill and adding a provision permitting a child disabled before age 22 (rather than before age 18) to be entitled to a child's insurance benefit should his parent retire, die, or become disabled.

Under the conference agreement, the disability must have begun before age 18.

#### RESTORATION OF BENEFIT RIGHTS AFTER REMARRIAGE

Amendments Nos. 352, 353, 355, 357, 358, 360, and 361: Section 308 of the House bill, relating to the payment of wife's or widow's benefits to divorced women, provided for reinstating widow's and mother's insurance benefits (and, in the case of a divorced wife, wife's insurance benefits) in cases where such benefits had terminated on account of remarriage but the remarriage ended in divorce after less than 20 years. (There are comparable provisions in the present social security law for reinstating benefits after a remarriage that ends in the death of the husband after less than 1 year.)

The Senate amendments provided that widow's and mother's insurance benefits (and, in the case of a divorced wife, wife's insurance benefits) would be payable to women who are not married, regardless of any intervening marriage that has ended.

The House recedes.

#### LIBERALIZATION IN THE RETIREMENT TEST

Amendment No. 362: Section 310 of the House bill amended section 203(f) of the Social Security Act to provide that if a beneficiary earns more than \$1,200 in a year, \$1 in benefits would be withheld for each \$2 of earnings between \$1,200 and \$2,400 (rather than between \$1,200 and \$1,700 as under existing law), and \$1 in benefits would be withheld for each \$1 of earnings above \$2,400. As under existing law, no benefit would be withheld for any month in which the beneficiary earns \$100 or less in wages and does not engage in self-employment.

The Senate amendment changed section 310 of the bill so that it amends sections 203(f) and 203(h) of the Social Security Act to provide (1) that the amount of yearly earnings which a beneficiary can have and still get all of his benefits for the year would be increased from \$1,200 to \$1,800; (2) that \$1 in benefits would be withheld for each \$2 of earnings between \$1,800 and \$3,000 and for each \$1 of earnings thereafter; and (3) that no benefit would be withheld for any month in which the beneficiary earns \$150 or less in wages and does not engage in self-employment.

The House recedes with an amendment which provides (1) that the amount of yearly earnings which a beneficiary can have without having any benefits withheld will be increased to \$1,500; (2) that \$1 in benefits will be withheld for each \$2 of earnings between \$1,500 and \$2,700 and for each \$1 of earnings thereafter; and (3) that no benefit will be withheld for any month in which the beneficiary earns \$125 or less in wages and does not engage in self-employment.

## COVERAGE FOR DOCTORS OF MEDICINE

Amendment No. 363: Section 311 of the House bill amended section 211(c) of the Social Security Act and section 1402(c) of the Internal Revenue Code of 1954 so as to extend coverage under social security to earnings derived by self-employed doctors from the practice of medicine, effective for taxable years ending after December 31, 1965.

Under the Senate amendment, coverage for self-employed doctors of medicine would begin with taxable years ending on or after December 31, 1965.

The House recedes.

## COVERAGE OF TIPS

Amendment No. 364: Section 313 of the bill as passed by the House amended both the Social Security Act and the Internal Revenue Code of 1954 to extend social security coverage with respect to tips received by employees. In addition, the bill as passed by the House required employers to withhold the income tax attributable to tips from wage payments to employees.

In extending social security coverage with respect to tips, the House bill provided a method for the collection of the Federal Insurance Contribution Act taxes imposed by sections 3101 and 3111 of the Internal Revenue Code. Under this method, an employee who received tips would be required to report the amount thereof to his employer periodically and the employer with certain limitations would be made liable for the taxes imposed by sections 3101 and 3111 of the code with respect to tips so reported. One such limitation was a provision limiting the employer's liability for the taxes imposed by section 3101 of the code (the employee taxes) to amounts which could be collected by deducting the taxes from wages (other than tips) of the employee and from funds which the employee would have been required to turn over to his employer for this purpose. The wages other than tips from which an employer would have been required to deduct the taxes were limited to those which were under his control from the date on which he received an employee's report of the tips up to the 10th day of the month following the month in which the report was so received. If, without reasonable cause, the employee failed to report tips to his employer as required, or failed to turn over to the employer funds in an amount sufficient to permit the employer to withhold the taxes imposed by section 3101, the employee, in addition to the tax which the employer could not withhold because of such failure, would become liable for a penalty equal to 100 percent of the amount of such tax.

Under the bill as passed by the House, the income tax attributable to tips would be withheld (in much the same manner as the employee social security taxes) by the employer by deducting the tax from wages (other than tips) paid to the employee on the basis of the periodic statements of tips the employee would be required to furnish his employer.

Senate amendment No. 364 substituted for the provisions of section 313 of the bill as passed by the House provisions treating tips received by employees as self-employment income (taxable under ch. 2 of the Internal Revenue Code).

Under the conference agreement, as in the bill as passed by the House, social security coverage is extended with respect to tips by adding a new paragraph at the end of section 209 of the Social Security Act and a new subsection (q) to section 3121 of the Internal Revenue Code to provide that tips received by an employee in the course of his employment are to be considered remuneration for employment for social security purposes and are to be deemed paid to the employee at the time reported to his employer pursuant to 6053(a) of the Internal Revenue Code (added by sec. 313(e)(2) of the bill). The new subsection (q) of section 3121 of the Internal Revenue Code does not apply for purposes of the taxes imposed on employers by section 3111 of the code. Thus, tips are not considered as remuneration for employment for purposes of the employer taxes imposed by section 3111 of the code. The effect of this limitation is to prevent the imposition of the employer taxes with respect to tips received by employees (and the amounts transferred to the Federal old-age and survivors insurance trust fund, the Federal disability insurance trust fund, and the Federal hospital insurance trust fund in respect of the taxes imposed by sections 3101 and 3111 of the code will be determined by taking this limitation into account). An additional effect of such limitation is to exclude tips from the computation of the \$6,600 limitation in the definition of the term "wages" contained in section 3121(a)(1) of the code for purposes of section 3111 of the code, although tips are included in computing such \$6,600 limitation for purposes of section 3101 of the code. The determination of the existence of an employee-employer relationship with respect to any tip recipient is to be made in accordance with existing law and nothing contained in section 313 of the bill is intended to bear on such determination. Under the conference agreement, the provisions of section 313 of the bill are to apply with respect to all tips received by employees after 1965 including those which under existing law would have been covered for social security tax purposes by reason of being accounted for by the employee to the employer. The provisions of section 313 of the bill, of course, do not apply to amounts which, although denominated tips, constitute wages under present law irrespective of whether accounted for by the employee to his employer.

The bill as passed by the House added a new subsection (c) to section 3102 of the code. Paragraph (2) required an employee to turn over to his employer funds in an amount which, when added to the wages of the employee (other than tips) under the control of the employer would provide an amount from which the employer could deduct the employee taxes imposed by section 3101 of the code in respect of tips. Under the conference agreement the new section 3102(c)(2) is modified to provide that the employee may furnish such funds to his employer but is not required to do so.

The bill as passed by the House also added a new section 3102(c)(3) to the code which contained provisions permitting employers (when authorized to do so by regulations prescribed by the Secretary of the Treasury or his delegate) to deduct the tax imposed by section 3101 of the code in respect of tips from wages paid during a quarter of a calendar year on an estimated basis and to adjust the amount so deducted by making additional deductions from wages paid to the employee during the same quarter. Under the conference agreement the new section 3102(c)(3) is modified to permit the employer to make the

required adjustment by deducting amounts from wages (not including tips) paid to the employee either during such calendar quarter or within 30 days after the end of such calendar quarter. The limitation on the liability of the employer for the taxes imposed by section 3101 contained in the new section 3102(c)(1) also is modified to conform to this 30-day extension of the period during which the employer is to deduct the tax.

Under the conference agreement a new section 3102(c)(4) is added to the code. Under this provision an employee is required to pay directly to the Internal Revenue Service that part of the taxes imposed by section 3101 in respect of tips which exceeds the portion of such tax which can be collected by the employer (from wages, including funds turned over by the employee) pursuant to the new section 3102(c). In such cases, the tax is to be collected from employees pursuant to regulations prescribed by the Secretary or his delegate under the general provisions of subtitle F of the Internal Revenue Code.

In order for the employee to be able to report and pay to the Internal Revenue Service the portion of the employee taxes which the employer is unable to withhold, the conference agreement (new sec. 6053(b) of the code) requires employers to furnish to their employees written statements showing the amount by which (A) the taxes imposed by section 3101 with respect to tips which were reported by the employee to the employer, exceeds (B) the taxes which the employer could collect from wages of the employee (other than tips) and from funds turned over to him by the employee. The statements are to be furnished at such time, contain such information, and be in such form as the Secretary or his delegate prescribes by regulations. In addition, the employer, when required by regulations so to do, is to furnish a duplicate of the statements to the Internal Revenue Service. Sections 6674 (fraudulent statement or failure to furnish statement to employee) and 6652(b) (failure to file certain information returns) are amended to extend the penalties provided by such sections to the comparable failures in respect of the new statements.

The bill as passed by the House added a new section 6652(c) to the code. The effect of the new section was to provide a penalty for failure (other than for reasonable cause and not due to willful neglect) of an employee to report the receipt of tips to his employer as required by section 6053(a) of the code and to furnish to his employer funds in an amount sufficient to enable the employer to deduct the taxes imposed by section 3101 of the code. The penalty was to be an amount equal to 100 percent of the taxes the employer was unable to collect because of such failures by the employee. Under the conference agreement, the penalty is to be imposed only for failures of employees to report the receipt of tips to their employers as required under section 6053(a), and the amount of the penalty is to be an amount equal to 50 percent of the taxes imposed by section 3101 of the code with respect to the tips the employee has so failed to report.

Under the conference agreement, as in the bill as passed by the House, the income tax attributable to tips is required to be withheld by employers. However, under the conference agreement, section 3402(h)(3) of the code is amended to permit the adjustment, required in the case of an employer who is using the average basis for with-

holding income tax at source during a calendar quarter, to be made with respect to the amount required to be deducted in respect of tips by making additional deductions during the 30 days following the close of the calendar quarter.

INCLUSION OF ALASKA AMONG STATES PERMITTED TO DIVIDE THEIR  
RETIREMENT SYSTEMS

Amendment No. 366: Section 314 of the House bill amended section 218(d)(6)(C) of the Social Security Act to add Alaska and Kentucky to the list of States which are permitted to divide a retirement system into two parts for purposes of obtaining social security coverage for only those employees in the system who desire it.

The Senate amendment deleted the provision adding Kentucky to this list of States.

The House recedes.

EMPLOYEES OF NONPROFIT ORGANIZATIONS

Amendments Nos. 367 and 368: Section 316 of the House bill amended section 3121(k) of the Internal Revenue Code of 1954 so as to permit a nonprofit organization to file a waiver certificate and make it retroactive for up to 5 years (rather than 1 year under present law) before the quarter in which the certificate is filed. An organization filing a waiver certificate during or before the year of the enactment of the bill could amend the certificate to begin coverage as early as 5 years before the quarter in which the certificate is amended. In addition, the House bill amended section 105 of the Social Security Amendments of 1960 to provide that employees who were reported erroneously and who are no longer employed when the organization files its waiver certificate could validate such erroneous reportings.

Under Senate amendment No. 367, the amendment of a certificate to make it retroactive (or to provide increased retroactivity) would apply only to individuals who concur in the filing of the amendment. Senate amendment No. 368 added to section 316 of the House bill a new subsection (d) which would permit certain employees whose wages were erroneously reported by a nonprofit organization during the period the organization's waiver certificate was in effect to validate such erroneously reported wages.

The House recedes.

CONTRIBUTION AND BENEFIT BASE

Amendments Nos. 373, 374, 376, 378, 380, 381, 382, 383, 384, 385, 386, 387, 389, 391, 393, 394, 396, 397, 399, 400, 401, 402, 403, 404, 405, and 406: Section 320 of the House bill amended the Social Security Act to increase the earnings counted for benefit and tax purposes to \$5,600 beginning with 1966 and \$6,600 beginning with 1971.

Under the Senate amendments, the earnings counted for benefit and tax purposes would be increased to \$6,600 beginning with 1966.

The House recedes.

CHANGES IN TAX SCHEDULES

Amendments Nos. 407 through 449: The following table shows the tax schedule in the House bill and that in the Senate bill:

*Contribution rates for employees and employers each*

[In percent]

Year	House bill			Senate bill		
	OASDI	HI	Total	OASDI	HI	Total
1966.....	4.0	0.35	4.35	3.85	0.325	4.175
1967-68.....	4.0	.50	4.50	3.85	.50	4.35
1969-70.....	4.4	.50	4.90	4.50	.50	5.00
1971-72.....	4.4	.50	4.90	4.50	.55	5.05
1973-75.....	4.8	.55	5.35	4.95	.65	5.60
1976-79.....	4.8	.60	5.40	4.95	.70	5.65
1980-86.....	4.8	.70	5.50	4.95	.80	5.75
1987 and after.....	4.8	.80	5.60	4.95	.85	5.80

*Contribution rates for the self-employed*

[In percent]

Year	House bill			Senate bill		
	OASDI	HI	Total	OASDI	HI	Total
1966.....	6.0	0.35	6.35	5.8	0.325	6.125
1967-68.....	6.0	.50	6.50	5.8	.50	6.30
1969-70.....	6.6	.50	7.10	6.8	.50	7.30
1971-72.....	6.6	.50	7.10	6.8	.55	7.35
1973-75.....	7.0	.55	7.55	7.0	.65	7.65
1976-79.....	7.0	.60	7.60	7.0	.70	7.70
1980-86.....	7.0	.70	7.70	7.0	.80	7.80
1987 and after.....	7.0	.80	7.80	7.0	.85	7.85

The conference agreement provides the following tax schedule:

[In percent]

Year	Employers and employees, each			Self-employed		
	OASDI	HI	Total	OASDI	HI	Total
1966.....	3.85	0.35	4.20	5.8	0.35	6.15
1967-68.....	3.90	.50	4.40	5.9	.50	6.40
1969-72.....	4.40	.50	4.90	6.6	.50	7.10
1973-75.....	4.85	.55	5.40	7.0	.55	7.55
1976-79.....	4.85	.60	5.45	7.0	.60	7.60
1980-86.....	4.85	.70	5.55	7.0	.70	7.70
1987 and after.....	4.85	.80	5.65	7.0	.80	7.80

APPLICATIONS FOR BENEFITS

Amendment 457: Existing law provides (in general) that applications filed more than 3 months before an individual becomes entitled to benefits are not to be treated as valid applications. The Senate amendment added a new section 328 to the House bill amending sections 202(j)(2), 216(i)(2), and 223(b) of the Social Security Act so as to extend the life of applications for social security benefits to the

date of final decision thereon by the Secretary of Health, Education, and Welfare.

The House recesses.

#### OVERPAYMENTS AND UNDERPAYMENTS

Amendment No. 458: The Senate amendment added to the House bill a new section 329, amending section 204 of the Social Security Act to authorize the Secretary of Health, Education, and Welfare to recover overpayments made to a beneficiary by decreasing, during the overpaid beneficiary's lifetime, the benefits of another beneficiary entitled on the basis of the same earnings record; to permit the Secretary to waive recovery or adjustment of an overpayment from any person who is without fault in the overpayment, even if he is not the overpaid person and the overpaid person is at fault; and to authorize the Secretary to establish an order of priority for disposing of amounts due a deceased beneficiary.

Under the conference agreement, the change in existing law is limited to cases of underpayments in which an individual dies before completion of payment of amounts due him under title II of the Social Security Act and the total amount due him at the time of his death does not exceed an amount equal to 1 month's benefit. In such a case, payment is to be made to his surviving spouse who was living in the same household, or, if there is no such spouse, to the legal representative of his estate.

#### PAYMENTS TO TWO OR MORE INDIVIDUALS OF THE SAME FAMILY

Amendment No. 459: The Senate amendment added to the House bill a new section 330, which amended section 205(n) of the Social Security Act to provide that payment to the surviving payee or payees of a joint benefit check which was not negotiated before one of the payees dies may be authorized in accordance with regulations of the Secretary of the Treasury, and to provide for recovery of any overpayment resulting from the cashing of the joint check.

The House recesses.

#### VALIDATING CERTIFICATES FILED BY MINISTERS

Amendment No. 460: The Senate amendment added to the House bill a new section (sec. 331) amending sections 1402(e) (5) and (6) of the Internal Revenue Code of 1954. The amendment would under certain conditions permit social security credit to be obtained for the earnings of certain ministers who die or file waiver certificates before April 16, 1966, where such earnings were reported for social security purposes but cannot be credited under existing law.

The House recesses with technical amendments.

#### DETERMINATION OF ATTORNEYS' FEES IN COURT PROCEEDINGS UNDER TITLE II

Amendment No. 461: The Senate amendment added to the House bill a new section 332, which amends section 206 of the Social Security Act to permit a court which renders a decision favorable to a claimant for benefits to set a reasonable fee, not in excess of 25 percent of

the past due benefits resulting from the decision, for the attorney who represented the claimant before the court. The amendment also permits the Secretary to certify payment of the court-awarded fee to the attorney from the past due benefits of the claimant, and provides that any attorney charging or receiving more than the fee set by the court is subject to a fine of up to \$500, imprisonment up to 1 year, or both.

The House recedes with a technical amendment.

CONTINUATION OF WIDOW'S AND WIDOWER'S INSURANCE BENEFITS  
AFTER REMARRIAGE

Amendment No. 462: The Senate amendment added a new section (sec. 333) to the House bill providing for the payment of benefits based on a prior spouse's earnings record to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit would be 50 percent of the primary insurance amount of the deceased spouse, rather than 82½ percent as in the case of unremarried widows and widowers. If a larger benefit would be payable based on the new spouse's earnings record, the excess of that benefit over the benefit based on the prior spouse's earnings would be paid to the remarried widow or widower.

The House recedes with a technical amendment.

CHANGES IN DEFINITIONS OF WIFE, WIDOW, HUSBAND, AND WIDOWER

Amendment No. 463: The Senate amendment added to the House bill a new section (sec. 334) that would provide an exception to the 1-year, duration-of-marriage requirement for spouse's benefits for any wife, widow, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child. Similar rules apply under existing law where the wife, widow, husband, or widower was actually or potentially entitled to similar benefits under title II of the Social Security Act.

The House recedes.

REDUCTION OF BENEFITS ON RECEIPT OF WORKMEN'S COMPENSATION

Amendment No. 464: The Senate amendment added a new section 335 to the House bill which provides that social security disability benefits for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits paid to him and his dependents under both programs exceed the higher of (1) 80 percent of his average current earnings, or (2) the total of his disability insurance benefit for such month and of any monthly insurance benefits under section 202 for such month based on his wages and self-employment income. For this purpose, an individual's average current earnings is the larger of (A) the average monthly wage used in computing the disability insurance benefit, or (B) one-sixtieth of the total of his wages and self-employment income for the 5 consecutive calendar years after 1950 for which such wages and self-employment income were highest. The reduction is to be periodically adjusted to take account of changes in national average earnings. The new section will be applicable with respect to benefits

payable for months after December 1965 on the basis of disabilities commencing after June 1, 1965.

The House recedes with technical amendments.

#### METHOD OF MAKING CERTAIN DISABILITY DETERMINATIONS

Amendment No. 465: This amendment added a section 336 to the bill to include among the individuals with respect to whom the Secretary of Health, Education, and Welfare would make the disability determinations referred to in section 221(a) of the Social Security Act (that is, determinations of whether an individual is under a disability and of the day such disability began, and the determination of the day on which such disability ceases) those individuals with respect to whom the Secretary, in accordance with regulations prescribed by him, finds that a determination of disability or cessation of disability can be made on evidence specified in the amendment.

The Senate recedes.

#### PAYMENT FOR COSTS OF REHABILITATION FROM TRUST FUNDS

Amendment 466: The Senate amendment added a new section 337 to the House bill amending section 222 of the Social Security Act. For the purpose of making vocational rehabilitation services more readily available to disabled individuals who are entitled to disability benefits (or entitled to child's insurance benefits after age 18 where the child is disabled) and to the end that savings will result to the Federal Disability Trust Fund and the Federal Old-Age and Survivors Insurance Trust Fund, the new section authorized transfers from the trust funds of such sums as may be necessary to enable the Secretary of Health, Education, and Welfare to pay the costs of vocational rehabilitation services for such disabled individuals. The total amount made available during any fiscal year may not exceed 1 percent of the total amount certified for payment in the preceding year as (1) benefits for children over 18 and under a disability, and (2) disability insurance benefits.

The House recedes with technical amendments. The conference agreement relates to payment for the costs of rehabilitation services, and it is expected that this will be accomplished through use of rehabilitation and training facilities and services which are otherwise available.

#### TEACHERS IN THE STATE OF MAINE

Amendment No. 467: The Senate amendment added to the House bill a new section (sec. 338) which would extend from July 1, 1965, to July 1, 1970, the period during which the State of Maine is permitted (under sec. 316 of the Social Security Amendments of 1958) to treat teaching and nonteaching employees who are actually in the same retirement system as though they were under separate retirement systems for social security coverage purposes.

The House recedes with an amendment the effect of which is to change "July 1, 1970" to "July 1, 1967."

EXCLUSION FROM COVERAGE OF CERTAIN STUDENTS IN IOWA AND  
NORTH DAKOTA

Amendment No. 468: The Senate amendment added to the House bill a new section (sec. 339) which would permit the State of Iowa and the State of North Dakota to modify their coverage agreements with the Secretary of Health, Education, and Welfare under section 218 of the Social Security Act so as to exclude from social security coverage service performed in any calendar quarter in the employ of a school, college, or university by a student if the remuneration for such service is less than \$50.

The House recedes with a clerical amendment.

## QUALIFICATION OF CHILDREN NOT QUALIFIED UNDER STATE LAW

Amendment No. 469: The Senate amendment added to the House bill a new section (sec. 340) which would provide for the payment of benefits to a child, regardless of whether he has the status of a child under applicable State law, if the father had acknowledged the child in writing, had been ordered by a court to contribute to the child's support, or had been judicially decreed to be the child's father, or, he had been shown by other satisfactory evidence to be the child's father and was living with or contributing to the support of the child.

The House recedes with a clerical amendment.

## EMPLOYEES OF MEMBERS OF AFFILIATED GROUP OF CORPORATIONS

Amendment No. 470: The Senate amendment added to the House bill a new section (sec. 341) to provide that in cases where a person works for more than one corporation in an affiliated group of corporations during the calendar year, the affiliated group (rather than each corporation, as under present law) would be considered to be a single employer for purposes of determining the maximum amount of wages subject to employer and employee taxes.

The Senate recedes.

## ACTUARIALY REDUCED BENEFITS AT AGE 60

Amendment No. 471: The Senate amendment added to the House bill a new section (sec. 342) amending section 202 of the Social Security Act to provide that workers, wives, husbands, widowers, and parents would be eligible for benefits at age 60 rather than at age 62 as under existing law. The amendment also amended subsections (q) and (r) of section 202 of the act to provide that where an individual elects to receive his benefits before age 65 in the case of workers, wives, or husbands, or before age 62 in the case of widowers or parents, the benefits would be actuarially reduced. (A provision to make widow's benefits available at age 60, with the benefits actuarially reduced, is included in section 307 of the bill as agreed to in conference.)

The Senate recedes.

DISCLOSURE UNDER CERTAIN CIRCUMSTANCES TO WELFARE AGENCIES  
OF WHEREABOUTS OF INDIVIDUALS

Amendment No. 472: The Senate amendment added to the House bill a new section 343, amending section 1106 of the Social Security Act, to require the Secretary to furnish promptly, at the request of a welfare agency or a court, the most recent address in the social security records for a person who has failed without lawful excuse to provide support for his or her destitute child or children under age 16, or his destitute wife.

The House recedes with an amendment requiring the Secretary to furnish, at the request of a State or local agency participating in any State or local public assistance program, the most recent address in the social security records for a parent (or his most recent employer, or both) who has failed to provide support for his or her destitute child or children under age 16 who are recipients of or applicants for assistance under such public assistance program, where there is a court order for the support of the children and the information requested is to be used by the welfare agency or the court on behalf of the children.

## EXTENSION OF TIME FOR MINISTERS TO ELECT COVERAGE

Amendment No. 473: The Senate amendment added to the House bill a new section (sec. 344) amending sections 1402(e) (2) and (3) of the Internal Revenue Code of 1954. The amendment extends the period during which ministers may file waiver certificates electing social security coverage. If a certificate is filed after the date of enactment of the bill and on or before the due date of the return (including any extension thereof) for the second taxable year ending after 1963, the certificate is to be effective for the taxpayer's first taxable year ending after 1962 and all succeeding years. In the case of a calendar-year taxpayer the due date of the return for such second taxable year is April 15, 1966, and the certificate would apply to 1963 and succeeding taxable years.

The House recedes with a clerical amendment.

INTERRELATIONSHIP BETWEEN VETERANS' BENEFITS AND INCREASED  
SOCIAL SECURITY BENEFITS

Amendment No. 474: The Senate amendment added to the House bill a new section (sec. 345) amending section 503 of title 38, United States Code, for the purpose of excluding the benefit increase provided in the bill from countable income in determining eligibility for and amount of a veteran's pension.

The Senate recedes.

## CERTAIN SCHOOL EMPLOYEES IN ALASKA

Amendment No. 475: The Senate amendment added to the House bill a new section (sec. 346) validating, for periods through the year of the enactment of the bill, social security coverage of employees of certain school districts in Alaska which have been included in error as employees of separate political subdivisions under the coverage

agreement between the State of Alaska and the Secretary of Health, Education, and Welfare entered into pursuant to section 218 of the Social Security Act.

The House recedes with a clerical amendment.

CONTINUATION OF CHILD'S INSURANCE BENEFITS AFTER ADOPTION BY  
BROTHER OR SISTER

Amendment No. 476: The Senate amendment added to the House bill a new section (sec. 347) under which a child's brother or sister would be included in the list of relatives (under existing law, the step-parent, grandparent, aunt, or uncle) who may adopt a child after the death of the worker on whose earnings the child is entitled to benefits without causing termination of the child's insurance benefits.

The House recedes with a clerical amendment.

DISABILITY INSURANCE BENEFITS FOR THE BLIND; SPECIAL PROVISIONS

Amendment No. 477: This amendment added a new section to the bill (1) to provide, for purposes of both disability insurance benefits and the disability freeze, that the term "disability" includes blindness (as defined by the amendment), and (2) to provide that an individual whose disability is blindness (as so defined) be insured for disability insurance benefits for any month if he had not less than 6 quarters of coverage before the quarter in which such month occurs. (Existing law requires an individual to be fully insured and to have 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability begins.) The term "blindness" was defined to mean central visual acuity of 20/200 or less in the better eye, or visual acuity greater than 20/200 if accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20°. The amendment also provided for payment of disability benefits after age 65 in such cases.

Under the conference agreement, an individual who becomes disabled before age 31, and whose disability is blindness (as defined for disability freeze purposes under existing law), is insured for disability insurance benefits for any month if not less than one-half (and not less than 6) of the quarters during the period ending with the quarter in which such month occurs and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 quarters in the 12-quarter period ending with such quarter were quarters of coverage. Similar rules are provided for purposes of the disability freeze.

The conference agreement also provides disability insurance benefits for disabled individuals who are blind (within the meaning of existing law) and have attained 55. For such purposes, the term "disability" is defined to mean inability by reason of blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which the individual has previously engaged with some regularity and over a substantial period of time. If the individual engages in substantial gainful activity in a month, no payment of a disability insurance benefit is to be made to him for such month, and no payment of a wife's, husband's, or child's insurance benefit is to be made for such month on the basis of his wages and self-employment income.

## INCREASE IN FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES

Amendment No. 478: The House bill increased the Federal share of the expenditures for cash assistance and medical care under State plans approved under title I, IV, X, XIV, or XVI of the Social Security Act. This change was to be effective for expenditures after December 31, 1965.

The Senate amendment advanced this date to June 30, 1965.

The Senate recesses.

## PROTECTIVE PAYMENTS FOR PUBLIC ASSISTANCE RECIPIENTS

Amendments Nos. 479 and 480: The House bill authorized protective payments to interested third parties on behalf of aged public assistance recipients who, because of a physical or mental condition, are so unable to manage money that payment of the assistance directly to them would be contrary to their welfare. These payments would be authorized under conditions designed to protect the interests of the needy person.

The Senate amendments authorized comparable provisions with respect to blind and disabled recipients. (The existing law authorizes such payments under the aid to families with dependent children program.)

The House recesses.

## DISREGARDING CERTAIN INCOME IN DETERMINING NEED UNDER PUBLIC ASSISTANCE PROGRAMS

Amendments Nos. 484, 485, 486, 487, and 488: The House bill authorized the exemption of a larger amount of earnings than under present law for recipients of old-age assistance and for aged recipients under the State plan approved under title XVI of the Social Security Act.

The Senate amendments changed these provisions in several ways: (1) they advanced the effective date from January 1, 1966, to October 1, 1965; (2) they provided a comparable earnings exemption with respect to disabled recipients under titles XIV and XVI; (3) they included a provision under such titles for disregarding other income and resources of disabled recipients who actually are undergoing vocational rehabilitation; (4) they clarified the exemptions under title XVI with respect to individuals who are both aged and blind or aged and disabled to assure that the individual would qualify for the largest exemption to which he might be entitled; and (5) they provided for the exemption, over and above any other exemptions allowed, of up to \$7 a month of income from any source, and whether or not earned.

The House recesses with an amendment reducing the monthly exemption of the income referred to in clause (5) above from \$7 to \$5. The \$5 (or lesser amount) of income which may be disregarded for a month may be earned income, income from relatives or any other type of income.

## REVIEW OF CERTAIN ADMINISTRATIVE DETERMINATIONS UNDER PUBLIC ASSISTANCE PROGRAMS

Amendments Nos. 491 and 492: The House bill provided, in relation to judicial review of the Secretary's decisions regarding public assistance plans, that the findings of the Secretary unless substantially contrary to the weight of evidence would be conclusive.

The Senate amendments changed the language "unless substantially contrary to the weight of the evidence" to "if supported by substantial evidence."

The House recedes.

## TECHNICAL AMENDMENTS TO ELIMINATE PUBLIC ASSISTANCE PROVISIONS

Amendment No. 497: Under the House bill, after June 30, 1967, payments to the States with respect to aid or assistance in the form of medical or any other type of remedial care could be made only under the new title XIX of the Social Security Act (and not, as at present, under title I, IV, X, XIV, or XVI). Section 408 of the House bill eliminated those public assistance provisions which would become obsolete as of July 1, 1967.

Under the conference action explained above with respect to Senate amendment No. 281, payments to States with respect to aid or assistance in the form of medical or any other type of remedial care may not be made under title I, IV, X, XIV, or XVI after December 31, 1969.

The House recedes. Those provisions of these titles which are in effect in 1969 and which will become obsolete on January 1, 1970, should at some time be removed from the law to simplify it.

## OPTOMETRISTS SERVICES

Amendment No. 510: The House bill included a provision in the new medical assistance title (title XIX of the Social Security Act) that, if eyeglasses are provided, the individual must be free to choose whether these are prescribed by a physician skilled in the diseases of the eye or an optometrist. It also carried over from existing law the requirement that the individual be free to choose either a physician or an optometrist to examine his eyes to determine whether he is blind.

Senate amendment No. 510 extended this principle of freedom of choice to all titles of the Social Security Act and to all services which an optometrist is licensed to perform.

The Senate recedes.

## ELIGIBILITY OF CHILDREN OVER 18 ATTENDING SCHOOL

Amendment No. 511: This amendment would broaden the type of schools that children over the age of 18 and under the age of 21 may attend and receive aid to families with dependent children payments in which the Federal Government will participate. The extension would be from the requirement that the child be (as determined in accordance with standards prescribed by the Secretary of Health, Education, and Welfare) a student regularly attending a high school

in pursuance of a course of study leading to a high school diploma or its equivalent, to the requirement that he be (as determined by the State in accordance with standards prescribed by the Secretary) a student regularly attending a school, college, or university. The House bill contained no provision on this subject.

The House recesses.

#### DISREGARDING CERTAIN EARNINGS OF DEPENDENT CHILDREN

Amendment No. 512: This amendment would permit States, effective July 1, 1965, in determining need for assistance under aid to families with dependent children programs, to disregard not more than \$50 per month of the earned income of a dependent child under the age of 18, but would limit the exemption to not more than three children in the same home. There was no provision on this subject in the House bill.

The House recesses with an amendment making the family limitation \$150 per month for children in the same home.

#### ALTERNATIVE FEDERAL PAYMENTS WITH RESPECT TO PUBLIC ASSISTANCE EXPENDITURES

Amendment No. 513: This amendment added two provisions (in a new sec. 1118 of the Social Security Act) relating to the Federal share of expenditures for public assistance: (1) it would permit any State which has in effect a plan approved under the new title XIX to claim Federal participation in its expenditures under all of its Federal-State public assistance programs by application of the new formula contained in title XIX instead of using the varying formulas in the existing titles, and (2) it would permit any State, for the period January 1 through June 30, 1966, which could meet substantially all of the objectives and requirements of the new title XIX under its assistance programs approved under the other titles of the Social Security Act to receive Federal participation in its medical assistance expenditures by application of the formula provided in title XIX and, at its option, to have this formula applied in determining the Federal share for its money payments. No comparable provisions were in the House bill.

The House recesses with an amendment retaining the first but not the second provision.

W. D. MILLS,  
 CECIL R. KING,  
 HALE BOGGS,  
 EUGENE J. KEOGH,  
 JOHN W. BYRNES,  
 THOS. B. CURTIS,  
 JAMES B. UTT,

*Managers on the Part of the House.*

○

the part of the House may have until midnight Monday next to file a conference report on the bill H.R. 6675.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, in order that the membership may have information prior to receipt of the conference report concerning a summary of the major decisions of the conference committee, I ask unanimous consent that a summary plus tables giving the actuarial data on the conference report may be included at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The matter referred to follows:

(The Honorable WILBUR D. MILLS, Democrat, of Arkansas, chairman, Committee on Ways and Means, U.S. House of Representatives, and chairman of the House-Senate conference committee on H.R. 6675, announced the decisions of the conference committee on H.R. 6675, the Social Security Amendments of 1965, a summary of which is set forth below. Chairman MILLS stated that it was expected that the conference report would be filed by midnight Monday, July 26, and will be available in printed form on Tuesday, July 27. The conference report and statement of managers on the part of the House which will accompany it will contain the detailed decisions on each of the 513 amendments which were added by the Senate. A summary of the major decisions of the conference committee follows.)

#### BASIC HOSPITAL INSURANCE PLAN

Benefit duration: House provided 60 days of hospital care after a deductible of \$40 currently. Senate provided unlimited duration but with a \$10 coinsurance for each day in excess of 60. Conference provided 60 days with House bill deductible (\$40 currently) and with an additional 30 days with the Senate's \$10 coinsurance feature.

Posthospital extended care (skilled nursing home): House provided 20 days of such care with 2 additional days for each unused hospital day but a maximum of 100 days. Senate provided 100 days but imposed a \$5 a day coinsurance for each day in excess of 20. Conference adopted Senate version.

Posthospital home-health visits: House authorized 100 visits after hospitalization. Senate increased the number of visits to 175

and deleted requirement of hospitalization. Conference adopted House version.

Outpatient diagnostic services: House imposed a \$20 deductible with this amount creditable against an inpatient hospital deductible which was imposed at the same hospital within 20 days. Senate imposed a 20 percent coinsurance on such services, removed the credit against the inpatient hospital deductible but allowed a credit for the deductible as an incurred expense under the voluntary supplementary program (for deductible and reimbursement purposes). Conference adopted Senate version.

Psychiatric facilities: House provided for 60 days of psychiatric hospital care with a 180-day lifetime limit in the voluntary supplementary program. Senate moved these services over into basic hospital insurance program and increased the lifetime limit to 210 days. Conference accepted the Senate version but reduced the lifetime limit to 190 days.

House excluded any extended care facility primary for the care and treatment of mental diseases or tuberculosis. Senate included such facilities but made both psychiatric extended care days and psychiatric hospital days subject to the lifetime limitation of days of care. Conference continued the House exclusion.

Christian Science services: House covered Christian Science sanatoria under hospital services (60 days with \$40 deductible). Senate added coverage for extended care and visiting nurse services. Under the conference agreement, Christian Science services will be covered as follows: Christian Science sanatoria services, 60 days with \$40 deductible plus 30 additional days at \$10 coinsurance per day, as hospital service; plus an additional 30 days in a Christian Science sanatorium as extended-care facility services with a \$5 per day coinsurance feature.

Scope of services, specialists: House excluded medical doctor services in the field of pathology, radiology, physiatry, or anesthesiology from basic hospital insurance benefit (but provided for their payment under supplementary medical insurance program). Senate included these services if billed through a hospital. Conference accepted House version.

Emergency services for areas immediately bordering the United States: Senate provided hospital services in border areas immediately outside the United States where comparable services are not as accessible in the United States for a beneficiary who becomes ill in this country. Conference adopted Senate amendment.

Interns: House included, under inpatient hospital services, the services of medical interns and residents under approved training

#### SOCIAL SECURITY AMENDMENTS OF 1965

Mr. MILLS. Mr. Speaker, I ask unanimous consent that the managers on

programs. Senate extended this provision to dental interns and residents in hospitals under approved training programs. Conference accepted Senate addition.

Drugs: House limited drugs to certain standard drug formularies and to those approved by hospital pharmacy and drug therapeutics committees. Senate added the Homeopathic Pharmacopoeia to the list of formularies and added a provision to include combination drugs if their principal ingredient is listed in one of the formularies. Conference accepted the Homeopathic Pharmacopoeia provision but did not accept the Senate's combination drug provision.

Eligibility of aliens under transitional provision for the uninsured: House specified that such aliens must have 10 years of residence prior to filing of application. Senate added a requirement of permanent residence but reduced residence requirement to 6 months before application. Conference increased the residence requirement to 5 years and retained requirement of permanent residence.

Federal employees, under transitional provision for the uninsured: House excluded all persons who had been eligible under the Federal Employee's Health Benefits Act of 1959 (FEHBA) if they, or some other individual, had had the opportunity to enroll under that program. Senate excluded only those who are actually covered under FEHBA. Conference limited the scope of the Senate provision so that individuals who retired before February 16, 1965, and were not covered then under FEHBA will be eligible.

Railroad retirement employees. House bill taxed railroad workers and their employers directly under the Federal Insurance Contributions Act with major administrative duties to be handled by the Department of Health, Education, and Welfare. Senate put financing feature under the Railroad Retirement Tax Act and railroad retirement account, and with primary responsibility for administration under the Railroad Retirement Board. Conference agreement provided that taxes would be collected under the railroad system but paid into the hospital insurance trust fund. Railroad Retirement Board would determine eligibility but the Department of Health, Education, and Welfare would reimburse providers (except Canadian hospitals). Like the Senate amendment the conference approach would be effective only if the railroad retirement taxable wage base is equivalent to the Federal hospital insurance tax earnings base—but, unlike the Senate amendment, such equivalence would be a continuing requirement which, if not met, would mean the system would revert to the approach provided in the House bill.

Appeals: House limited appeal to a hearing examiner and judicial review to claims of \$1,000 or more. Senate reduced this amount to \$100. Conference provided that for claims from \$100 to \$1,000 there would be hearing examiner review but no judicial review. For claims above \$1,000 there would be both.

State standard for institutions: Conference accepted (with technical amendment) Senate amendment relating to higher State standards than those necessary for hospital accreditation.

Conference rejected following amendments added by the Senate:

Providing for a comprehensive study and report, with recommendations, on extended care facilities and nursing home care.

Making certain requirements for use of State agencies in certification of facilities.

Relating to transfer agreement between facilities in different States.

Requiring personal notice to health care beneficiaries of benefit rights.

#### SUPPLEMENTARY MEDICAL INSURANCE

Effective date: House effective date July 1, 1966. Senate effective date January 1, 1967. Conference accepted House version.

Medical services: House bill limited to physicians. Senate bill extended program to dentists performing certain dental surgeon functions and to chiropractors and podiatrists. Conference adopted dental surgeon's services but rejected those of podiatrists and chiropractors.

Eligibility of aliens: House made aliens ineligible unless admitted for permanent residence. Senate added a requirement of 10 years of residence. Conference reduced requirement to 5 years of residence and made any individual eligible if he was eligible for social security.

Drug study: Senate authorized a study of the feasibility of extending the program to prescribed drugs. Conference rejected this provision.

#### MEDICAL ASSISTANCE—NEW TITLE XIX

Administering agency: House required that the single State agency administering the medical assistance program must be the agency administering title I or XVI (the welfare agency). Senate provided that any single State agency may be chosen by the State to administer the program providing the agency administering title I or XVI be used to determine eligibility. Conference adopted Senate version.

Future termination of existing medical vendor programs: House required that all existing medical programs in the five titles of the Social Security Act would be terminated on June 30, 1967. Senate gave States the option of continuing under existing law or under new program. Conference would terminate existing programs on December 31, 1969.

Kerr-Mills for children: House provided that dependent children and specified relatives caring for them under the age of 21 could be included even though they did not meet requirements for need and age under the State plans for aid to families with dependent children, but were otherwise qualified. Senate included all individuals under 21 and adults caring for them. Conference adopted Senate provision as to the coverage of children under 21 but accepted House provision as to coverage of the adult caretakers.

Dental services for children: House made dental services for children under 21 optional. Senate made them mandatory. Conference accepted House version.

State participation in non-Federal share: House provided that there must be only State participation in non-Federal share of matching by July 1, 1970. Senate provided an alternative under which local funds could be used after that date with certain safeguards. Conference adopted the Senate version.

Rejected Senate amendments: (1) Imposing Federal standards as to fire and safety on participating institutions; (2) requiring that an individual will be entitled to medical assistance from the provider of his choice.

#### OTHER AMENDMENTS RELATING TO HEALTH CARE AND WELFARE

Services for emotionally disturbed children: Senate authorized special project grants for emotionally disturbed children; and authorized a study on prevention, diagnosis, and treatment of emotionally disturbed children. Conference removed the added authorization for project grants, but approved the study.

Child welfare services: Senate removed earmarking provision of existing law for "day care" services and increased child welfare authorizations to levels provided in the bill for maternal and child health and crippled children's programs. Conference approved Senate addition and established January 1, 1966, as the effective date.

#### SOCIAL SECURITY SYSTEM

Retirement test (earning limitation). House provided for expansion of the \$1 deduction for each \$2 of earnings band (above

the fully exempt \$1,200 in existing law) from \$1,700 to \$2,400. Senate version increased the fully exempt amount from \$1,200 to \$1,800 and extended the \$2 for \$1 band to cover earnings between \$1,800 and \$3,000. Conference increased the fully exempt amount to \$1,500 and applied the \$2 for \$1 band on earnings between \$1,500 and \$2,700.

#### Provisions relating to the disability insurance program

1. Definition: House provided that an individual would be disabled if his disability had lasted 6 months. It also reduced the waiting period by 1 month. Senate provided that the disability have lasted, or can be expected to last, 12 months for eligibility. It retained waiting period in existing law. Conference adopted Senate version.

2. Blindness: Senate added an alternative for insured status for disability benefits of six quarters of coverage, acquired at any time, for individuals who meet liberalized definition of blindness. (For insured status under existing law, an individual (1) must have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability begins and (2) must be fully insured.) Under the Senate definition for both the freeze and benefit purposes the following degree of blindness was deemed disabling: Central visual acuity of 20/200 or less in the better eye with the use of correcting lenses, or visual acuity greater than 20/200 if accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20°.

(Under existing law, for benefit purposes, an individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. The following definition of blindness is deemed disabling for disability "freeze" purposes: Central visual acuity of 5/200 or less in the better eye with use of correcting lens. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered as having a visual acuity of 5/200 or less.)

Conference substituted the following two provisions for the Senate amendment:

1. Young workers who are blind and disabled: Establishes alternative insured status requirement for workers disabled before age 31 of one-half of the quarters elapsing after age 21 up to the point of disability with a minimum of six quarters. To qualify for this alternative the worker would have to meet the statutory definition of blindness for the disability "freeze" noted above. Worker will, however, have to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.

2. Older workers who are blind and disabled: Provides that those individuals aged 55 or over who meet the statutory definition of blindness in the disability "freeze" could qualify for cash benefits on the basis of their inability to engage in their past occupation or occupations. Their benefits would not be paid, however, if they were actually engaging in any substantial gainful activity.

3. Vocational rehabilitation for disability beneficiaries: Conference adopted Senate provision that State vocational rehabilitation agencies will be reimbursed from the social security trust funds for the cost of rehabilitation services furnished to individuals who are entitled to disability insurance benefits or to a disabled child's benefits, except that the total sums available for this purpose could not, in any year, exceed 1 percent of the disability benefits paid in the previous year.

4. Offset for workmen's compensation: Senate provided that the social security disability benefits for any month for which a worker is receiving a workmen's compensa-

tion benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in national average earnings levels. The offset provision will be applicable with respect to benefits payable for months after December 1965 on the basis of disabilities commencing after June 1, 1965. Conference adopted Senate version.

*Coverage provisions*

1. Cash tips: House provided for the coverage of tips reported by the employee to the employer—with the employer to report such income and withhold for income tax purposes. No liability would be imposed on the employer for tips that are not reported nor in cases where he does not have or is not given funds to cover the employee's share of the tax. Senate provided that cash tips received would be considered as self-employment income. Conference generally follows House provision for social security and income tax purposes with the major exception that no social security tax liability would be imposed on the employer.

2. Coverage of doctors of medicine: House covered doctors of medicine effective for taxable years ending after December 31, 1965. Senate moved up the effective date to taxable years ending on or after December 31, 1965. Conference adopted Senate version.

3. Ministers: Senate reopened to April 15, 1966, the period (which expired on April 15, 1965), during which ministers who have been in the ministry for at least 2 years may file waiver certificates electing social security coverage. Conference accepted.

4. Coverage of employees of State and local governments:

1. House added "Kentucky" and "Alaska" as States which could provide coverage for State and local employees under the split-system provision. Senate and conference deleted "Kentucky."

2. Senate reopened until July 1, 1970, a provision of law permitting the State of Maine to treat teaching and nonteaching employees actually in the same retirement system as though they were in separate retirement systems for social security coverage purposes. Conference accepted but limited option to July 1, 1967.

3. Senate authorized the State of Iowa and the State of North Dakota to modify their coverage agreements to exclude from social security coverage certain service performed in any calendar quarter in the employ of a school, college, or university by a student if the remuneration for such service is less than \$50. Conference accepted.

4. Conference accepted Senate validation of past coverage of employees in certain school districts in Alaska.

The conference also adopted the following Senate amendments on social security:

1. Remarried widows: Benefits would be payable to widows aged 60 or over and to widowers aged 62 or over who remarry—the amount of the benefit to be equal to 50 percent of the primary benefit of the deceased spouse if that amount is higher than her wife's benefit as a result of the remarriage.

2. Children's benefits:

(a) Included in definition of child is a child who cannot inherit his father's intestate personal property if the father had acknowledged him in writing, had been ordered by a court to contribute to his support, had been judicially decreed to be his father or had been shown by other satisfactory evidence to be his father and was living with or contributing to his support.

(b) An exception is provided so that child's benefits would not terminate if child is adopted by his brother or sister after death of worker. Under present law benefits

terminate unless he is adopted by his step-parent, grandparent, uncle, or aunt after death of worker on whose earnings record he is getting benefits.

3. Social security records: The Social Security Administration is required to furnish information to help locate deserting parent or husband to any welfare agency or court. Conference accepted amendment with modification that information must be transmitted through a welfare agency (if to a court), that an actual public assistance case must be involved, and that all non-disclosure provisions be complied with.

4. Court fees: A court that renders a judgment favorable to a claimant in an action arising under the social security program is permitted to set a reasonable fee (not in excess of 25 percent of past due benefits which become payable by reason of the judgment) for an attorney who successfully represented the claimant. The Secretary would be permitted to certify payment of the fee to the attorney out of such past due benefits.

Conference rejected the following social security amendments added by the Senate.

Provision that the Secretary (rather than State agency) can make determinations of disability or cessation of disability where medical and other information or evidence indicates, on its face, that the individual is under a disability or that the disability has ceased.

Reducing from 62 to 60 the age at which an eligible worker could elect to start getting an actuarially reduced benefit.

Providing that the amount of the 1965 social security benefit increase would not be counted toward the Veterans' Administration income limitation.

Provision relating to reduction of total employer tax as to a worker employed consecutively by two affiliated corporations.

Expansion of disabled child's benefit to children disabled before age 22 (now prior to age 18).

**FINANCING OF SOCIAL SECURITY AND HOSPITAL INSURANCE PROGRAMS**

Earnings base: The House bill established an earnings base of \$5,600 a year in 1966 and \$6,800 in 1971 and thereafter. The Senate provided an earnings base of \$6,600 in 1966. The conference accepted the Senate figure of \$6,600 in 1966.

The following are the tax rates for the House, Senate, and conference for both systems:

*OASDI tax rates*

[In percent]

Years	Employer-employee rate			Self-employed rate, conference
	House	Senate	Conference	
1966.....	8.0	7.7	7.7	5.8
1967-68.....	8.0	7.7	7.8	5.9
1969-72.....	8.8	9.0	8.8	6.6
1973 and after.....	9.6	9.9	9.7	7.0

*Hospital insurance tax rates*

[In percent]

Years	Employer-employee rate			Self-employed rate, conference
	House	Senate	Conference	
1966.....	0.7	0.65	0.7	0.35
1967-70.....	1.0	1.0	1.0	.5
1971-72.....	1.0	1.1	1.1	.5
1973-75.....	1.1	1.3	1.1	.55
1976-79.....	1.2	1.4	1.2	.6
1980-86.....	1.4	1.6	1.4	.7
1987 and after.....	1.6	1.7	1.6	.8

The conference established the allocation to the disability insurance trust fund at 0.70

percent of taxable wages and 0.525 of self-employment income. The figures under existing law are 0.50 and 0.375 percent, respectively.

**INCOME TAX PROVISIONS**

The Senate had deleted the House provision which would have limited the deduction for medical care expense of taxpayers (or dependent parents) aged 65 or over to the amount in excess of 3 percent of adjusted gross income and which would have limited the amount of medicine and drug costs included in medical care expenses to the amounts in excess of 1 percent of adjusted gross income. The conference restored the House provision.

The Senate had also deleted the House provision which would have allowed all taxpayers to deduct one-half of the cost of medical-care insurance (up to \$250 a year) outside the regular medical expense category. Conference restored House provision but reduced maximum deduction to \$150 a year.

The conference accepted Senate amendment which eliminates all maximum limitations on the medical expense deduction for all taxpayers.

**PUBLIC ASSISTANCE**

Effective date: House put effective date of increased Federal matching through formula change for all five public assistance programs at January 1, 1966. Senate advanced date to June 30, 1965. Conference adopted House version.

Income exemptions:

1. Aid to families with dependent children: Senate added an amendment which allows the State, at its option, to disregard up to \$50 per month of earned income of any three dependent children under the age of 18 in the same home. Conference modified Senate amendment so as to put a family maximum of \$150 in earnings per month not limited to three children but no child could have earnings of more than \$50 exempted.

2. Aid to the permanently and totally disabled and combined program (title XVI): Senate added an exemption of earnings, at the option of the State, for recipients of aid to the permanently and totally disabled. As is the case of the aged, the first \$20 per month of earnings and one-half of the next \$60 could be exempted. In addition, any additional income and resources could be exempted as part of an approved plan to achieve self-support during the time the recipient was undergoing vocational rehabilitation (essentially as under existing law in the aid to the blind program). Conference accepted Senate provision.

3. Income exemption for all public assistance programs: Senate allowed States, at their option, to disregard not more than \$7 per month of any income in all five public assistance programs. Conference adopted Senate amendment but reduced figure to \$5 per month.

Protective payments: House included a provision for protective payments to third persons on behalf of old-age assistance recipients (and recipients of combined adult program, title XVI) unable to manage their money because of physical or mental incapacity. Senate extended the same provision for protective payments to the programs of aid to the blind and aid to the permanently and totally disabled. Conference accepted Senate provision.

Children in school: Senate added an amendment broadening the definition of "school" in existing law (high school) to include any school or college, at the State's option, with respect to continuing payments under Aid to Families With Dependent Children from age 18 up to age 21 if they are attending such schools. Conference adopted Senate amendment.

Uniform matching: Conference accepted Senate amendment which would permit a

State that has a medical assistance program under title XIX to claim Federal sharing in total expenditures for money payments under other titles, under the same formula used for determining the Federal share for medical assistance under title XIX.

MISCELLANEOUS

Conference rejected additional language added by Senate relating to optometrists' services under all titles of the Social Security Act. (House language on optometrists' services retained.)

TABLE 1.—Summary of 1st-year costs under H.R. 6675

[In millions of dollars]

	Trust funds			General Treasury		
	House	Senate	Conference	House	Senate	Conference
<b>Health care programs:</b>						
Basic hospital insurance	\$2,190	\$2,403	\$2,210	\$275	\$295	\$290
Voluntary supplementary medical	1,600	1,600	600	600	600	600
MAA liberalization				200	200	200
<b>Total</b>	<b>2,790</b>	<b>3,003</b>	<b>2,810</b>	<b>1,075</b>	<b>1,095</b>	<b>1,090</b>
<b>OASDI:</b>						
7 percent benefit increase	\$1,430	\$1,470	\$1,470			
Child school benefit	195	195	195			
Broader definition of "child"		10	10			
Child disabled at 18 to 21		10				
Blind disability		120	5			
Reduced benefits at 60	165	500	165			
Transitional benefits at 72	140	140	140			
Disabled definition	105	40	40			
Retirement test	65	590	295			
<b>Total</b>	<b>2,100</b>	<b>3,165</b>	<b>2,320</b>			
<b>Public assistance and child health:</b>						
Increase in formula				150	150	150
TB and mental exclusion				75	75	75
Coverage of MA					50	40
Maternal and child health				60	61	61
Miscellaneous				6	13	13
<b>Total</b>				<b>291</b>	<b>349</b>	<b>339</b>
<b>Income tax changes</b>				<b>-82</b>		<b>-97</b>
<b>Total, all programs</b>	<b>4,890</b>	<b>6,168</b>	<b>5,130</b>	<b>1,284</b>	<b>1,444</b>	<b>1,332</b>
Grand total, House				6,174		
Grand total, Senate				7,612		
Grand total, conference				6,462		

1 Contributions of participants.

TABLE 2  
OASDI TAX RATES  
[In percent]

Years	Employer-employee rate			Self-employed rate, conference
	House	Senate	Conference	
1966	8.0	7.7	7.7	5.8
1967-68	8.0	7.7	7.8	5.9
1969-72	8.8	9.0	8.8	6.6
1973 and after	9.6	9.9	9.7	7.0

HOSPITAL INSURANCE TAX RATES  
[In percent]

Years	Employer-employee			Self-employed
	Rate	Maximum amount	Rate	
1966	0.7	0.65	0.7	0.35
1967-70	1.0	1.0	1.0	.50
1971-72	1.0	1.1	1.0	.50
1973-75	1.1	1.3	1.1	.55
1976-79	1.2	1.4	1.2	.60
1980-86	1.4	1.6	1.4	.70
1987 and after	1.6	1.7	1.6	.80

COMBINED OASDI AND HOSPITAL INSURANCE TAX RATES AND TAXES UNDER CONFERENCE AGREEMENT

Years	Employer-employee		Self-employed	
	Rate	Maximum amount	Rate	Maximum amount
	Percent		Percent	
1966	8.4	\$554.40	6.15	\$405.90
1967-68	8.8	580.80	6.40	422.40
1969-72	9.8	646.80	7.10	468.60
1973-75	10.8	712.80	7.55	498.30
1976-79	10.9	719.40	7.60	501.60
1980-86	11.1	732.60	7.70	508.20
1987 and after	11.3	745.80	7.80	514.80

TABLE 3.—Changes in actuarial balance of OASDI system, expressed in terms of estimated level-cost as percentage of taxable payroll

Item	OASI	DI	Total
Actuarial balance of previous system	+0.14	-0.13	+0.01
Earnings base increase to \$6,600	+ .51	+ .04	+ .55
Revised contribution schedule	+ .09	+ .20	+ .29
Extensions of coverage	+ .01		+ .01
7 percent benefit increase	- .59	- .05	- .64
Earnings test liberalization	- .14		- .14
Child's benefits to age 22 if in school	- .10	- .02	- .12
Reduced widow's benefits at age 60			
Disability definition revision		- .01	- .01
Transitional insured status at age 72	- .01		- .01
Broader definition of child	- .01		- .01
<b>Total effect of changes</b>	<b>-.24</b>	<b>+ .16</b>	<b>-.08</b>
Actuarial balance of bill	- .10	+ .03	- .07

TABLE 4.—Actuarial balance of hospital insurance system, expressed in terms of estimated level-cost as percentage of taxable payroll

	Level-cost, percent
Hospital and extended care facility benefits	1.19
Outpatient diagnostic benefits	.01
Home health service benefits	.03
<b>Total benefits</b>	<b>1.23</b>
Contributions	1.23
Actuarial balance	0.00

SOCIAL SECURITY MEDICARE BILL OF 1965

(Mr. BOGGS asked and was given permission to address the House for 1 minute.)

Mr. BOGGS. Mr. Speaker, I take this time to commend the gentleman from Arkansas [Mr. MILLS] and the gentleman from Wisconsin [Mr. BYRNES] for having just completed work on what I consider a monumental piece of legislation—the social security medicare bill of 1965.

We will, I know, debate that conference report early next week, Mr. Speaker, but I think it can be said without fear of contradiction that this is indeed an historic legislative achievement. I might say in conference we had the full cooperation of the minority members, not that they agreed with every decision that was made, but it was a hard-working conference. There were 513 amendments in disagreement and the gentleman from Arkansas has earned the commendation of the entire Nation.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 5, 8, 13, 24, 26, 27, 28, 29, 30, 32, 33, 34, 35, 36, 37, 38, 39, 40, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 54, 55, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 71, 72, 73, 75, 76, 77, 78, 79, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 102, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 134, 135, 136, 137, 140, 142, 143, 145, 147, 148, 149, 150, 151, 152, 153, 154, 155, 163, 164, 165, 167, 168, 170, 171, 172, 173, 174, 175, 176, 178, 179, 180, 183, 184, 185, 187, 188, 189, 190, 191, 192, 194, 196, 197, 200, 201, 202, 204, 207, 208, 214, 215, 217, 220, 221, 222, 223, 224, 225, 226, 230, 231, 232, 233, 236, 237, 238, 239, 241, 242, 244, 245, 250, 251, 256, 257, 259, 260, 261, 262, 263, 264, 268, 269, 270, 271, 273, 275, 278, 280, 283, 284, 297, 298, 299, 300, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 313, 314, 315, 317, 318, 319, 320, 321, 322, 323, 325, 326, 327, 328, 337, 338, 339, 340, 342, 343, 344, 345, 347, 348, 349, 350, 351, 352, 353, 354, 355, 358, 357, 358, 359, 360, 361, 363, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 450, 451, 452, 453, 454, 455, 456, 457, 459, 463, 479, 480, 481, 482, 483, 484, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 500, 501, 502, 503, 504, 505, 506, 507, 508, and 509, and agree to the same.

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"TABLE OF CONTENTS

"Title I—Health insurance for the aged and medical assistance

"Sec. 100. Short title.

"Part I—Health Insurance Benefits for the Aged

"Sec. 101. Entitlement to hospital insurance benefits.

"Sec. 102. Hospital insurance benefits and supplementary medical insurance benefits.

"Title XVIII—Health insurance for the aged

"Sec. 1801. Prohibition against any Federal interference.

"Sec. 1802. Free choice by patient guaranteed.

"Sec. 1803. Option to individuals to obtain other health insurance protection.

"Part A—Hospital Insurance Benefits for the Aged

"Sec. 1811. Description of program.

"Sec. 1812. Scope of benefits.

"Sec. 1813. Deductibles and coinsurance.

"Sec. 1814. Conditions of and limitations on payment for services.

"(a) Requirement of requests and certifications.

"(b) Reasonable cost of services.

"(c) No payments to Federal providers of services.

"(d) Payments for emergency hospital services.

"(e) Payments for inpatient hospital services prior to notification of non-eligibility.

"(f) Payment for certain emergency hospital services furnished outside the United States.

"Sec. 1815. Payment to providers of services.

"Sec. 1816. Use of public agencies or private organizations to facilitate payment to providers of services.

"Sec. 1817. Federal hospital insurance trust fund.

SOCIAL SECURITY AMENDMENTS OF 1965—CONFERENCE REPORT

Mr. MILLS submitted the following conference report and statement on the bill, H.R. 6675, to provide a hospital insurance program for the aged under the Social Security Act, and for other purposes:

CONFERENCE REPORT (H. REPT. No. 682)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 2, 4, 6, 9, 12, 16, 19, 22, 41, 42, 49a, 49a, 56, 57, 58, 59, 73a, 96, 98, 99, 100, 101, 103, 104, 105, 106, 127a, 133, 139, 141, 144, 146, 158, 160, 161, 161a, 162, 162a, 162b, 162c, 164a, 176a, 177, 181, 182a, 182b, 185a, 185b, 186, 195, 196a, 209, 210, 211, 212, 213, 218, 228, 229, 235, 240, 243, 246, 247, 249, 252, 253, 254, 255, 267, 272, 277, 285, 288, 289, 290, 291, 292, 293, 294, 331, 334, 335, 336, 341, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 421, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 436, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 465, 470, 471, 474, 478, and 510.

- "Part B—Supplementary Medical Insurance Benefits for the Aged
- "Sec. 1831. Establishment of supplementary medical insurance program for the aged.
- "Sec. 1832. Scope of benefits.
- "Sec. 1833. Payment of benefits.
- "Sec. 1834. Limitation on home health services.
- "Sec. 1835. Procedure for payment of claims of providers of services.
- "Sec. 1836. Eligible individuals.
- "Sec. 1837. Enrollment periods.
- "Sec. 1838. Coverage period.
- "Sec. 1839. Amounts of premiums.
- "Sec. 1840. Payment of premiums.
- "Sec. 1841. Federal supplementary medical insurance trust fund.
- "Sec. 1842. Use of carriers for administration of benefits.
- "Sec. 1843. State agreements for coverage of eligible individuals who are receiving money payments under public assistance programs.
- "Sec. 1844. Appropriations to cover Government contributions and contingency reserve.
- "Part C—Miscellaneous Provisions
- "Sec. 1861. Definitions of services, institutions, etc.
- "(a) Spell of illness
- "(b) Inpatient hospital services.
- "(c) Inpatient psychiatric hospital services.
- "(d) Inpatient tuberculosis hospital services.
- "(e) Hospital.
- "(f) Psychiatric hospital.
- "(g) Tuberculosis hospital.
- "(h) Extended care services.
- "(i) Post-hospital extended care services.
- "(j) Extended care facility.
- "(k) Utilization review.
- "(l) Agreements for transfer between extended care facilities and hospitals.
- "(m) Home health services.
- "(n) Post-hospital home health services.
- "(o) Home health agency.
- "(p) Outpatient hospital diagnostic services.
- "(q) Physicians' services.
- "(r) Physician.
- "(s) Medical and other health services.
- "(t) Drugs and biologicals.
- "(u) Provider of services.
- "(v) Reasonable cost.
- "(w) Arrangements for certain services.
- "(x) State and United States.
- "(y) Post-hospital extended care in Christian Science extended care facilities.
- "Sec. 1862. Exclusions from coverage.
- "Sec. 1863. Consultation with State agencies and other organizations to develop conditions of participation for providers of services.
- "Sec. 1864. Use of State agencies to determine compliance by providers of services with conditions of participation.
- "Sec. 1865. Effect of accreditation.
- "Sec. 1866. Agreements with providers of services.
- "Sec. 1867. Health insurance benefits advisory council.
- "Sec. 1868. National medical review committee.
- "Sec. 1869. Determinations; appeals.
- "Sec. 1870. Overpayments on behalf of individuals.
- "Sec. 1871. Regulations.
- "Sec. 1872. Application of certain provisions of title II.
- "Sec. 1873. Designation of organization or publication by name.
- "Sec. 1874. Administration.
- "Sec. 1875. Studies and recommendations.
- "Sec. 103. Transitional provision on eligibility of presently uninsured individuals for hospital insurance benefits.
- "Sec. 104. Suspension in case of aliens; persons convicted of subversive activities.
- "Sec. 105. Railroad retirement amendments.
- "Sec. 106. Medical expense deduction.
- "Sec. 107. Receipts for employees must show taxes separately.
- "Sec. 108. Technical and administrative amendments relating to trust funds.
- "Sec. 109. Advisory council on social security.
- "Sec. 110. Meaning of term 'Secretary'.
- "Sec. 111. Role of the Railroad Retirement Board in the administration of hospital insurance for the aged.
- "Part 2—Grants to States for Medical Assistance Programs
- "Sec. 121. Establishment of programs.
- "Title XIX—Grants to States for medical assistance programs
- "Sec. 1901. Appropriation.
- "Sec. 1902. State plans for medical assistance.
- "Sec. 1903. Payment to States.
- "Sec. 1904. Operation of State plans.
- "Sec. 1905. Definitions.
- "Sec. 122. Payment by States of premiums for supplementary medical insurance.
- "Title II—Other amendments relating to health care
- "Part 1—Maternal and Child Health and Crippled Children's Services
- "Sec. 201. Increase in maternal and child health services.
- "Sec. 202. Increase in crippled children's services.
- "Sec. 203. Training of professional personnel for the care of crippled children.
- "Sec. 204. Payment for inpatient hospital services.
- "Sec. 205. Special project grants for health of school and preschool children.
- "Sec. 206. Evaluation and report.
- "Sec. 207. Increase in child welfare services.
- "Sec. 208. Day care services.
- "Part 2—Implementation of mental retardation planning
- "Sec. 211. Authorization of appropriations.
- "Part 3—Public assistance amendments relating to health care
- "Sec. 221. Removal of limitations on Federal participation in assistance to individuals with tuberculosis or mental disease.
- "Sec. 222. Amendment to definition of medical assistance for the aged.
- "Part 4—Miscellaneous amendments relating to health care
- "Sec. 231. Health study of resources relating to children's emotional illness.
- "Title III—Social security amendments
- "Sec. 300. Short title.
- "Sec. 301. Increase in old-age, survivors, and disability insurance benefits.
- "Sec. 302. Computation and recomputation of benefits.
- "Sec. 303. Disability insurance benefits.
- "Sec. 304. Payment of disability insurance benefits after entitlement to other monthly insurance benefits.
- "Sec. 305. Disability insurance trust fund.
- "Sec. 306. Payment of child's insurance benefits after attainment of age 18 in case of child attending school.
- "Sec. 307. Reduced benefits for widows at age 60.
- "Sec. 308. Wife's and widow's benefits for divorced women.
- "Sec. 309. Transitional insured status.
- "Sec. 310. Increase in amount an individual is permitted to earn without suffering full deductions from benefits.
- "Sec. 311. Coverage for doctors of medicine.
- "Sec. 312. Gross income of farmers.
- "Sec. 313. Coverage of tips.
- "Sec. 314. Inclusion of Alaska among States permitted to divide their retirement systems.
- "Sec. 315. Additional period for electing coverage under divided retirement system.
- "Sec. 316. Employees of nonprofit organizations.
- "Sec. 317. Coverage of temporary employees of the District of Columbia.
- "Sec. 318. Coverage for certain additional hospital employees in California.
- "Sec. 319. Tax exemption for religious groups opposed to insurance.
- "Sec. 320. Increase of earnings counted for benefit and tax purposes.
- "Sec. 321. Changes in tax schedules.
- "Sec. 322. Reimbursement of trust funds for cost of noncontributory military service credits.
- "Sec. 323. Adoption of child by retired worker.
- "Sec. 324. Extension of period for filing proof of support and applications for lump-sum death payment.
- "Sec. 325. Treatment of certain royalties for retirement test purposes.
- "Sec. 326. Amendments preserving relationship between railroad retirement and old-age, survivors, and disability insurance systems.
- "Sec. 327. Technical amendment relating to meetings of board of trustees of the old-age, survivors, and disability insurance trust funds.
- "Sec. 328. Applications for benefits.
- "Sec. 329. Underpayments.
- "Sec. 330. Payments to two or more individuals of the same family.
- "Sec. 331. Validating certificates filed by ministers.
- "Sec. 332. Determination of attorneys' fee in court proceedings under title II.
- "Sec. 333. Continuation of widow's and widower's insurance benefits after remarriage.
- "Sec. 334. Changes in definitions of wife, widow, husband, and widower.
- "Sec. 335. Reduction of benefits on receipt of workmen's compensation.
- "Sec. 336. Payment of costs of rehabilitation services from the trust funds.
- "Sec. 337. Teachers in the State of Maine.
- "Sec. 338. Modification of agreement with North Dakota and Iowa with respect to certain students.
- "Sec. 339. Qualification of children not qualified under State law.
- "Sec. 340. Disclosure, under certain circumstances, to courts and interested welfare agencies of whereabouts of individuals.
- "Sec. 341. Additional period of filing of ministers certificates.
- "Sec. 342. Rectifying error in interpreting law with respect to certain school employees in Alaska.
- "Sec. 343. Continuation of child's insurance benefits after adoption by brother or sister.
- "Sec. 344. Disability insurance benefits for the blind; special provisions.
- "Title IV—Public assistance amendments
- "Sec. 401. Increased Federal payments under public assistance titles of the Social Security Act.
- "Sec. 402. Protective payments.
- "Sec. 403. Disregarding certain earnings in determining need under assistance programs for the aged, blind, and disabled.
- "Sec. 404. Administrative and judicial review of public assistance determinations.

- "Sec. 405. Maintenance of State public assistance expenditures.
- "Sec. 406. Disregarding OASDI benefit increase, and child's insurance benefit payments beyond age 18, to the extent attributable to retroactive effective date.
- "Sec. 407. Extension of grace period for disregarding certain income for States where legislature has not met in regular session.
- "Sec. 408. Technical amendments relating to public assistance programs.
- "Sec. 409. Eligibility of children over age 18 attending school.
- "Sec. 410. Disregarding certain earnings in determining need of certain dependent children.
- "Sec. 411. Federal share of public assistance expenditures."

And the Senate agree to the same.

Amendment numbered 7: That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 10, line 17, of the House engrossed bill, strike out "60" and insert the following: "90"; and the Senate agree to the same.

Amendment numbered 10: That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 11, line 4, of the House engrossed bill, strike out "subsections (c) and (d)" and insert the following: "subsection (c)"; and the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 11, line 7, of the House engrossed bill, strike out "60 days during such spell; or" and insert the following: "90 days during such spell";.

And the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "spell; or"; and the Senate agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with amendments as follows:

On page 8, line 3, of the Senate engrossed amendments, strike out "(2)" and insert the following: "(3)".

On page 8, line 5, of the Senate engrossed amendments, strike out "210 days during his lifetime; or" and insert the following: "190 days during his lifetime".

And the Senate agree to the same.

Amendment numbered 17: That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with amendments as follows:

Strike out the matter proposed to be stricken out by the Senate amendment, and on page 11 of the House engrossed bill, after line 10, insert the following:

"(c) If an individual is an inpatient of a psychiatric hospital or a tuberculosis hospital on the first day of the first month for which he is entitled to benefits under this part, the days on which he was an inpatient of such a hospital in the 90-day period immediately before such first day shall be included in determining the 90-day limit under subsection (b) (1) (but not in determining the 190-day limit under subsection (b) (3))."

And the Senate agree to the same.

Amendment numbered 18: That the House recede from its disagreement to the amend-

ment of the Senate numbered 18, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(d)"; and the Senate agree to the same.

Amendment numbered 20: That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(e)"; and the Senate agree to the same.

Amendment numbered 21: That the House recede from its disagreement to the amendment of the Senate numbered 21, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "subsections (b), (c), and (d), inpatient hospital services, inpatient psychiatric"; and the Senate agree to the same.

Amendment numbered 23: That the House recede from its disagreement to the amendment of the Senate numbered 23, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(f)"; and the Senate agree to the same.

Amendment numbered 25: That the House recede from its disagreement to the amendment of the Senate numbered 25, and agree to the same with amendments as follows:

On page 13, line 1, of the House engrossed bill, after "DEDUCTIBLES" insert the following: "AND COINSURANCE".

On page 9, line 21, of the Senate engrossed amendments strike out "deduction" and insert the following: "coinsurance amount".

On page 10, line 1, of the Senate engrossed amendments, after "for each day" insert the following: "(before the 91st day)".

And the Senate agree to the same.

Amendment numbered 31: That the House recede from its disagreement to the amendment of the Senate numbered 31, and agree to the same with an amendment as follows:

On page 10, line 16, of the Senate engrossed amendments, strike out "deduction" and insert the following: "coinsurance amount"; and the Senate agree to the same.

Amendment numbered 53: That the House recede from its disagreement to the amendment of the Senate numbered 53, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "and (B)"; and the Senate agree to the same.

Amendment numbered 70: That the House recede from its disagreement to the amendment of the Senate numbered 70, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(other than physicians' services unless furnished by a resident or intern of a hospital)"; and the Senate agree to the same.

Amendment numbered 74: That the House recede from its disagreement to the amendment of the Senate numbered 74, and agree to the same with amendments as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "year; and (2) the amount of any deduction imposed under section 1813(a) (2)(A) with respect to outpatient hospital diagnostic services furnished in any calendar year shall be regarded as an incurred expense under this part for such year".

On page 35, line 7, of the House engrossed bill, after "except that" insert the following: "(1)".

On page 35, line 10, of the House engrossed bill, after "year" insert the following: "(or regarded under clause (2) as incurred in such preceding year with respect to services furnished in such last three months)".

And the Senate agree to the same.

Amendment numbered 80: That the House recede from its disagreement to the amendment of the Senate numbered 80, and agree to the same with amendments as follows:

On page 36, line 16, of the House engrossed bill, strike out "DURATION OF" and insert the following: "LIMITATION ON HOME HEALTH".

On page 37, of the House engrossed bill, strike out the sentence beginning in line 6 and insert the following: "Payment under this part may be made for home health services furnished an individual during any calendar year only for 100 visits during such year."

And the Senate agree to the same.

Amendment numbered 93: That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "either (1)"; and the Senate agree to the same.

Amendment numbered 94: That the House recede from its disagreement to the amendment of the Senate numbered 94, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(11)"; and the Senate agree to the same.

Amendment numbered 95: That the House recede from its disagreement to the amendment of the Senate numbered 95, and agree to the same with amendments as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part, or (B) is entitled to hospital insurance benefits under part A".

On page 42, line 4, of the House engrossed bill, after "(2)" insert the following: (A).

And the Senate agree to the same.

Amendment numbered 97: That the House recede from its disagreement to the amendment of the Senate numbered 97, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 43, line 4, of the House engrossed bill, after the period insert the following: "For purposes of this subsection and subsection (d), an individual who satisfies paragraph (2) of section 1836 solely by reason of subparagraph (B) thereof shall be treated as satisfying such paragraph (2) on the first day on which he is (or on filing application would be) entitled to hospital insurance benefits under part A".

And the Senate agree to the same.

Amendment numbered 115: That the House recede from its disagreement to the amendment of the Senate numbered 115, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "none of the preceding provisions of this section applies, or with respect to whom subsection (d)"; and the Senate agree to the same.

Amendment numbered 138: That the House recede from its disagreement to the amendment of the Senate numbered 138, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "the calendar year 1967"; and the Senate agree to the same.

Amendment numbered 156: That the House recede from its disagreement to the amendment of the Senate numbered 156, and agree to the same with amendments as follows:

On page 71, line 22, of the House engrossed bill, strike out ", and such individual" and insert the following: "; and an individual".

On page 71, line 23, of the House engrossed bill, strike out "from the" and insert the following: "from an".

And the Senate agree to the same.

Amendment numbered 157: That the House recede from its disagreement to the amendment of the Senate numbered 157, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "necessary (subject to the second sentence of section 1863)";

And the Senate agree to the same.

Amendment numbered 159: That the House recede from its disagreement to the amendment of the Senate numbered 159, and agree to the same with amendments as follows: In lieu of the matter proposed to be inserted by the Senate amendment, insert the following: "The term 'extended care facility' also includes an institution described in paragraph (1) of subsection (y), to the extent and subject to the limitations provided in such subsection."

On page 87 of the House engrossed bill, after line 12, insert the following:

**"POST-HOSPITAL EXTENDED CARE IN CHRISTIAN SCIENCE EXTENDED CARE FACILITIES"**

"(y) (1) The term 'extended care facility' also includes a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts, but only (except for purposes of subsection (a) (2)) with respect to items and services ordinarily furnished by such an institution to inpatients, and payment may be made with respect to services provided by or in such an institution only to such extent and under such conditions, limitations, and requirements (in addition to or in lieu of the conditions, limitations, and requirements otherwise applicable) as may be provided in regulations.

"(2) Notwithstanding any other provision of this title, payment under part A may not be made for services furnished an individual in an extended care facility to which paragraph (1) applies unless such individual elects, in accordance with regulations, for a spell of illness to have such services treated as post-hospital extended care services for purposes of such part; and payment under part A may not be made for post-hospital extended care services—

"(A) furnished an individual during such spell of illness in an extended care facility to which paragraph (1) applies after—

"(i) such services have been furnished to him in such a facility for 30 days during such spell, or

"(ii) such services have been furnished to him during such spell in an extended care facility to which such paragraph does not apply; or

"(B) furnished an individual during such spell of illness in an extended care facility to which paragraph (1) does not apply after such services have been furnished to him during such spell in an extended care facility to which such paragraph applies.

"(3) The amount payable under part A for post-hospital extended care services furnished an individual during any spell of illness in an extended care facility to which paragraph (1) applies shall be reduced by a coinsurance amount equal to one-eighth of the inpatient hospital deductible for each day before the 31st day on which he is furnished such services in such a facility during such spell (and the reduction under this paragraph shall be in lieu of any reduction under section 1813(a) (4)).

"(4) For purposes of subsection (i), the determination of whether services furnished by or in an institution described in paragraph (1) constitute post-hospital extended care services shall be made in accordance with and subject to such conditions, limitations, and requirements as may be provided in regulations."

And the Senate agree to the same.

Amendment numbered 166: That the House recede from its disagreement to the amendment of the Senate numbered 166, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(1) physicians' services";

And the Senate agree to the same.

Amendment numbered 169: That the House recede from its disagreement to the amendment of the Senate numbered 169, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 82 of the House engrossed bill, strike out lines 15, 16, and 17, and insert the following:

"(1) diagnostic X-ray tests, diagnostic laboratory tests, and other diagnostic tests.

And the Senate agree to the same.

Amendment numbered 182: That the House recede from its disagreement to the amendment of the Senate numbered 182, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "for use in such hospital"; and the Senate agree to the same.

Amendment numbered 193: That the House recede from its disagreement to the amendment of the Senate numbered 193, and agree to the same with amendments as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "; except that, in the case of any State or political subdivision of a State which imposes higher requirements on institutions as a condition to the purchase of services (or of certain specified services) in such institutions under a State plan approved under title I, XVI, or XIX, the Secretary shall impose like requirements as a condition to the payment for services (or for the services specified by the State or subdivision) in such institutions in such State or subdivision."

On page 66, line 15, of the House engrossed bill, before the period insert the following: "(subject to the second sentence of section 1863)";

On page 91, line 22, of the House engrossed bill, strike out "An" and insert the following: "Except as provided in the second sentence of section 1863, an".

And the Senate agree to the same.

Amendment numbered 198: That the House recede from its disagreement to the amendment of the Senate numbered 198, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 93, of the House engrossed bill, strike out line 9 and "section 1833(b)" in line 10 and insert the following: "or coinsurance amount imposed pursuant to section 1813(a)(1), (a)(2), or (a)(4), section 1833(b), or section 1861(y)(3)"; and the Senate agree to the same.

Amendment numbered 199: That the House recede from its disagreement to the amendment of the Senate numbered 199, and agree to the same with an amendment as follows:

On page 35, line 16, of the Senate engrossed amendments, strike out "(or may be)"; and the Senate agree to the same.

Amendment numbered 203: That the House recede from its disagreement to the amendment of the Senate numbered 203, and agree to the same with an amendment as follows:

On page 101, line 18, of the House engrossed bill, after "and" insert the following: "in the case of a determination as to entitlement or as to amount of benefits where the amount in controversy is \$1,000 or more."

And the Senate agree to the same.

Amendment numbered 205: That the House recede from its disagreement to the amendment of the Senate numbered 205, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, on page 102, line 18, of the House engrossed bill, strike out "or 1835(c)", and on page 103, line 13, of the House engrossed bill, strike out "1834(f)" and insert the following: "1841(f)"; and the Senate agree to the same.

Amendment numbered 206: That the House recede from its disagreement to the amendment of the Senate numbered 206, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 103, line 21, of the House engrossed bill, strike out "sections 1814(e) and 1835(c)" and insert the following: "section 1814(e)"; and the Senate agree to the same.

Amendment numbered 216: That the House recede from its disagreement to the amendment of the Senate numbered 216, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following "5 years"; and the Senate agree to the same.

Amendment numbered 219: That the House recede from its disagreement to the amendment of the Senate numbered 219, and agree to the same with amendments as follows:

Omit the matter proposed to be inserted by the Senate amendment, and on page 109 of the House engrossed bill, strike out line 14 and all that follows through line 21, and insert the following:

"(3) (A) at the beginning of such first month is covered by an enrollment in a health benefits plan under the Federal Employees Health Benefits Act of 1959,

"(B) was so covered on February 16, 1965, or

"(C) could have been so covered for such first month if he or some other person had availed himself of opportunities to enroll in a health benefits plan under such Act and to continue such enrollment (but this subparagraph shall not apply unless he or such other person was a Federal employee at any time after February 15, 1965).

Paragraph (3) shall not apply in the case of any individual for the month (or any month thereafter) in which coverage under such a health benefits plan ceases (or would have ceased if he had had such coverage) by reason of his or some other person's separation from Federal service, if he or such other person was not (or would not have been) eligible to continue such coverage after such separation."

And the Senate agree to the same.

Amendment numbered 227: That the House recede from its disagreement to the amendment of the Senate numbered 227, and agree to the same with amendments as follows:

Restore the matter proposed to be stricken out by the Senate amendment, and on page 175, line 9, of the House engrossed bill, strike out "\$250" and insert the following: "\$150"; and the Senate agree to the same.

Amendment numbered 234: That the House recede from its disagreement to the amendment of the Senate numbered 234, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(d) (1) Section 213 of such Code (relating to medical, dental, etc., expenses) is amended by striking out subsections (c) and (g) of such section.

"(2) (A) Section 72(m) (5) (A) (1) of such Code (relating to special rules applicable to employment annuities and distributions under employee plans) is amended by striking out 'section 213(g) (3)' and inserting in lieu thereof 'paragraph (7) of this subsection'.

"(B) Section 72(m) of such Code is further amended by adding at the end thereof the following new paragraph:

"(7) MEANING OF DISABLED.—For purposes of this section, an individual shall be considered to be disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to be disabled unless he furnishes proof of the existence thereof in such form and manner as the Secretary or his delegate may require."

"(C) Subparagraphs (A) (iii) and (B) (iii) of section 72(n) (1) of such Code (relating to treatment of certain distributions with respect to contributions by self-employed individuals) are each amended by striking out 'section 213(g) (3)' and inserting in lieu thereof 'subsection (m) (7)'."

"(3) Section 79(b) (1) of such Code (relating to group-term life insurance purchased for employees) is amended by striking out 'paragraph (3) of section 213(g), determined without regard to paragraph (4) thereof' and inserting in lieu thereof 'section 72(m) (7)'."

"(4) Section 401(d) (4) (B) of such Code (relating to additional requirements for qualifications of trusts and plans benefiting owner-employees) is amended by striking out 'section 213(g) (3)' and inserting in lieu thereof 'section 72(m) (7)'."

"(5) Section 405(b) (1) (D) (ii) of such Code (relating to qualified bond purchase plans) is amended by striking out 'section 213(g) (3)' and inserting in lieu thereof 'section 72(m) (7)'."

And the Senate agree to the same.

Amendment numbered 248: That the House recede from its disagreement to the amendment of the Senate numbered 248, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**"ROLE OF THE RAILROAD RETIREMENT BOARD IN THE ADMINISTRATION OF HOSPITAL INSURANCE FOR THE AGED"**

"SEC. 111. (a) The first sentence of section 1874(a) of the Social Security Act is amended to read as follows: 'Except as otherwise provided in this title and in the Railroad Retirement Act of 1937, the insurance programs established by this title shall be administered by the Secretary.'

"(b) (1) Section 21 of the Railroad Retirement Act of 1937 (as added by section 105 of this Act) is amended to read as follows:

**"HOSPITAL INSURANCE BENEFITS FOR THE AGED"**

"SEC. 21. (a) For the purposes of this section, the Board shall have the same authority to determine the rights of individuals described in subsection (b) of this section to have payments made on their behalf for hospital insurance benefits consisting of inpatient hospital services, post-hospital extended care services, post-hospital home health services, and outpatient hospital diagnostic services (all hereinafter referred to as "services") under section 226, and parts A and C of title XVIII, of the Social Security Act as the Secretary of Health, Education, and Welfare has under such section and such parts with respect to individuals to whom such section and such parts apply. For purposes of section 11, a determination with respect to the rights of an individual under this section shall, except in the case of a

provider of services, be considered to be a decision with respect to an annuity.

"(b) Except as otherwise provided in this section, every individual who—

"(1) has attained age 65, and

"(2) (A) is entitled to an annuity under this Act, or (B) would be entitled to such an annuity had he ceased compensated service and, in the case of a spouse, had such spouse's husband or wife ceased compensated service, or (C) had been awarded a pension under section 6, or (D) bears a relationship to an employee which, by reason of section 3(e), has been, or would be, taken into account in calculating the amount of an annuity of such employee or his survivors,

"shall be certified to the Secretary of Health Education, and Welfare as a qualified railroad retirement beneficiary under section 226 of the Social Security Act.

"(c) The Board and the Secretary of Health, Education, and Welfare shall furnish each other with such information, records, and documents as may be considered necessary to the administration of this section or section 226, and part A of title XVIII of the Social Security Act.

"(d) For purposes of this section (and sections 1840, 1843, and 1870 of the Social Security Act), entitlement to an annuity or pension under this Act shall be deemed to include entitlement under the Railroad Retirement Act of 1935.

"(e) The rights of individuals described in subsection (b) of this section to have payment made on their behalf for the services referred to in subsection (a) of this section but provided in Canada shall be the same as those of individuals to whom section 226 and part A of title XVIII of the Social Security Act apply, and this subsection shall be administered by the Board as if the provisions of section 226 and part A of title XVIII of the Social Security Act were applicable, as if references to the Secretary of Health Education, and Welfare were to the Board, as if references to the Federal Hospital Insurance Trust Fund were to the Railroad Retirement Account, as if references to the United States or a State included Canada or a subdivision thereof, and as if the provisions of sections 1862(a) (4), 1863, 1864, 1867, 1868, 1869, 1874(b), and 1875 of such title XVIII were not included in such title. The payments for services herein provided for in Canada shall be made from the Railroad Retirement Account (in accordance with, and subject to, the conditions applicable under section 10(b) in making payment of other benefits) to the hospital, extended care facility, or home health agency providing such services in Canada to individuals to whom subsection (b) of this section applies, but only to the extent that the amount of payments for services otherwise hereunder provided for an individual exceeds the amount payable for like services provided pursuant to the law in effect in the place in Canada where such services are furnished. For the purposes of section 9 of this Act, any overpayment under this subsection shall be treated as if it were an overpayment of an annuity."

"(2) Section 5(k) (2) of such Act is amended—

"(A) by striking out subparagraphs (A) and (B) and redesignating subparagraphs (C), (D), and (E) as subparagraphs (A), (B), and (C), respectively;

"(B) by striking out the second sentence and the last sentence of subdivision (1) of the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph; and by striking out from such subdivision (1) 'the Retirement Account' and inserting in lieu thereof 'the Railroad Retirement Account (hereinafter termed "Retirement Account")";

"(C) by adding at the end of the subparagraph redesignated as subparagraph (A) by

subparagraph (A) of this paragraph the following new subdivision:

"(iii) At the close of the fiscal year ending June 30, 1966, and each fiscal year thereafter, the Board and the Secretary of Health, Education, and Welfare shall determine the amount, if any, which, if added to or subtracted from the Federal Hospital Insurance Trust Fund, would place such fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. Such determination shall be made no later than June 15 following the close of the fiscal year. If such amount is to be added to the Federal Hospital Insurance Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Federal Hospital Insurance Trust Fund; and if such amount is to be subtracted from the Federal Hospital Insurance Trust Fund the Secretary of Health, Education, and Welfare shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Federal Hospital Insurance Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined under subparagraph (B) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification."

"(D) by striking out 'subparagraph (D)' where it appears in the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph, and inserting in lieu thereof 'subparagraph (B)';

"(E) by striking out 'subparagraphs (B) and (C)' where it appears in the subparagraph redesignated as subparagraph (B) by subparagraph (A) of this paragraph and inserting in lieu thereof 'subparagraph (A)'; and

"(F) by amending the subparagraph redesignated as subparagraph (C) by subparagraph (A) of this paragraph to read as follows:

"(C) The Secretary of the Treasury is authorized and directed to transfer to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund from the Retirement Account or to the Retirement Account from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Secretary of Health, Education, and Welfare pursuant to the provisions of subparagraph (A), and certified by the Board or the Secretary of Health, Education, and Welfare for transfer from the Retirement Account or from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund."

"(c) (1) Section 3201 of the Internal Revenue Code of 1954 (relating to rate of tax on employees under the Railroad Retirement Tax Act) is amended by striking out 'section 3101(a)' and inserting in lieu thereof 'section 3101(a) plus the rate imposed by section 3101(b)'."

"(2) Section 3211 of such Code (relating to the rate of tax on employee representatives under the Railroad Retirement Tax Act) is amended by striking out 'section 3101(a)' and inserting in lieu thereof 'section 3101(a) plus the rate imposed by section 3101(b)'."

"(3) Section 3221(b) of such Code (relating to the rate of tax on employers under the Railroad Retirement Tax Act) is amended by striking out 'section 3111(a)' and inserting in

lieu thereof 'section 3111(a) plus the rate imposed by section 3111(b)'.

"(4) Section 1401(b) (as amended by section 321 of this Act) of such Code (relating to the rate of tax under the Self-Employment Contributions Act) is amended by striking out the last sentence.

"(5) Section 3101(b) of such Code (relating to the rate of tax on employees under the Federal Insurance Contributions Act) is amended by striking out ', but without regard to the provisions of paragraph (9) thereof insofar as it relates to employees'.

"(6) Section 3111(b) of such Code (relating to the rate of tax on employers under the Federal Insurance Contributions Act) is amended by striking out ', but without regard to the provisions of paragraph (9) thereof insofar as it relates to employees'.

"(d) There are authorized to be appropriated to the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) from time to time such sums as the Secretary deems necessary for any fiscal year, on account of—

"(1) payments made or to be made during such fiscal year from such Trust Fund under part A of title XVIII of such Act with respect to individuals who are qualified railroad retirement beneficiaries (as defined in section 226(c) of such Act) and who are not, and upon filing application for monthly insurance benefits under section 202 of such Act would not be, entitled to such benefits if service as an employee (as defined in the Railroad Retirement Act of 1937) after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act,

"(2) the additional administrative expenses resulting or expected to result therefrom, and

"(3) any loss of interest to such Trust Fund resulting from the payment of such amounts,

in order to place such Trust Fund in the same position at the end of such fiscal year in which it would have been if the individuals described in paragraph (1) had not been entitled to benefits under part A of title XVIII of the Social Security Act.

"(e) (1) The amendments made by the preceding provisions of this section shall apply to the calendar year 1966 or to any subsequent calendar year, but only if the requirement in paragraph (2) has been met with respect to such calendar year.

"(2) The requirement referred to in paragraph (1) shall be deemed to have been met with respect to any calendar year if, as of the October 1 immediately preceding such calendar year, the Railroad Retirement Tax Act provides that the maximum amount of monthly compensation taxable under such Act during all months of such calendar year will be an amount equal to one-twelfth of the maximum wages which the Federal Insurance Contributions Act provides may be counted for such calendar year."

And the Senate agree to the same.

Amendment numbered 258: That the House recede from its disagreement to the amendment of the Senate numbered 258, and agree to the same with amendments as follows: Omit the matter proposed to be inserted by the Senate amendment, and on page 128 of the House engrossed bill, after line 18, insert the following: "except that the making available of the services described in paragraph (4) or (14) of section 1905(a) to individuals meeting the age requirement prescribed therein shall not, by reason of this paragraph (10), require the making available of any such services, or the making available of such services of the same amount, duration, and scope, to individuals of any other ages;"

And the Senate agree to the same.

Amendment numbered 265: That the House recede from its disagreement to the amendment of the Senate numbered 265, and

agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "diseases; and;" and the Senate agree to the same.

Amendment numbered 266: That the House recede from its disagreement to the amendment of the Senate numbered 266, and agree to the same with an amendment as follows: On page 61, line 3, of the Senate engrossed amendments, strike out "; and" and insert a period; and the Senate agree to the same.

Amendment numbered 274: That the House recede from its disagreement to the amendment of the Senate numbered 274; and agree to the same with an amendment as follows:

Omit the matter proposed to be inserted by the Senate amendment, and on page 142 of the House engrossed bill strike out "who" in line 13 and all that follows down through line 18 and insert the following:

"who are—

"(i) under the age of 21,

"(ii) relatives specified in section 406(b) (1) with whom a child is living if such child, except for section 406(a) (2), is (or would, if needy, be) a dependent child under title IV,

"(iii) 65 years of age or older,

"(iv) blind, or

"(v) 18 years of age or older and permanently and totally disabled,

"but whose

And the Senate agree to the same.

Amendment numbered 276: That the House recede from its disagreement to the amendment of the Senate numbered 276, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: ("other than services in an institution for tuberculosis or mental diseases) for individuals 21 years of age or older;" and the Senate agree to the same.

Amendment numbered 279: That the House recede from its disagreement to the amendment of the Senate numbered 279, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(14) inpatient hospital services, and skilled nursing home services for individuals 65 years of age or over in an institution for tuberculosis or mental diseases; and

And the Senate agree to the same.

Amendment numbered 281: That the House recede from its disagreement to the amendment of the Senate numbered 281, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "after December 31, 1969;"

And the Senate agree to the same.

Amendment numbered 282: That the House recede from its disagreement to the amendment of the Senate numbered 282, and agree to the same with amendments as follows: On page 63 of the Senate engrossed amendments, strike out line 2 and insert the following:

"(2) Section 1109 of such Act is amended to read as follows:

"AMOUNTS DISREGARDED NOT TO BE TAKEN INTO ACCOUNT IN DETERMINING ELIGIBILITY OF OTHER INDIVIDUALS

"SEC. 1109. Any

"On page 63, line 4, of the Senate engrossed amendments, before 'eligibility' insert the following: 'the'

And the Senate agree to the same.

Amendment numbered 286: That the House recede from its disagreement to the amendment of the Senate numbered 286, and agree to the same with amendments as follows: Omit the matter proposed to be inserted by the Senate amendment, and on page 146, line 19, of the House engrossed bill, strike out "succeeding fiscal years" and in-

sert the following: "each fiscal year thereafter"; and the Senate agree to the same.

Amendment numbered 287: That the House recede from its disagreement to the amendment of the Senate numbered 287, and agree to the same with amendments as follows: Omit the matter proposed to be inserted by the Senate amendment, and on page 147, line 14, of the House engrossed bill, strike out "succeeding fiscal years" and insert the following: "each fiscal year thereafter";

And the Senate agree to the same.

Amendment numbered 295: That the House recede from its disagreement to the amendment of the Senate numbered 295, and agree to the same with amendments as follows: On page 68, line 10, of the Senate engrossed amendments, strike out "each year." On page 68, line 11, of the Senate engrossed amendments, strike out "succeeding fiscal year" and insert the following: "each fiscal year thereafter";

And the Senate agree to the same.

Amendment numbered 296: That the House recede from its disagreement to the amendment of the Senate numbered 296, and agree to the same with amendments as follows:

"On page 68 of the Senate engrossed amendments, after line 21, insert the following:

"ALLOTMENTS TO STATES"

"On page 69 of the Senate engrossed amendments, strike out line 12 and all that follows through line 17 and insert the following:

"(v) that day care provided under the plan will be provided only in facilities (including private homes) which are licensed by the State, or approved (as meeting the standards established for such licensing) by the State agency responsible for licensing facilities of this type, and"

On page 69 of the Senate engrossed amendments, strike out line 18 and all that follows through line 22 and insert the following:

"(d) The amendments made by this section shall take effect on January 1, 1966."

And the Senate agree to the same.

Amendment numbered 301: That the House recede from its disagreement to the amendment of the Senate numbered 301, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(as amended by section 403(e) of this Act)";

And the Senate agree to the same.

Amendment numbered 312: That the House recede from its disagreement to the amendment of the Senate numbered 312, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"Sec. 303. (a)(1) Clause (A) of the first sentence of section 216(i)(1) of the Social Security Act is amended by striking out 'or to be of long-continued and indefinite duration' and inserting in lieu thereof 'or has lasted; or can be expected to last for a continuous period of not less than 12 months'.

"(2) So much of section 223(c) (2) of such Act as precedes the second sentence thereof is amended to read as follows:

"(2) The term 'disability' means—

"(A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months; or."

And the Senate agree to the same.

Amendment numbered 316: That the House recede from its disagreement to the amendment of the Senate numbered 316, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(3) Subparagraph (D) of section 223 (a) (1) of such Act is amended by striking out 'at the time such application is filed.' So much of such section 223 (a) (1) as follows subparagraph (D) is amended by striking out 'the first month for which he is entitled to old-age insurance benefits.'"

And the Senate agree to the same.

Amendment numbered 324: That the House recede from its disagreement to the amendment of the Senate numbered 324, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(2) The amendment made by subsection (e) shall apply in the case of the primary insurance amounts of individuals who attain age 65 after the date of enactment of this Act."

And the Senate agree to the same.

Amendment numbered 329: That the House recede from its disagreement to the amendment of the Senate numbered 329, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "0.70;"

And the Senate agree to the same.

Amendment numbered 330: That the House recede from its disagreement to the amendment of the Senate numbered 330, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "0.525;"

And the Senate agree to the same.

Amendment numbered 332: That the House recede from its disagreement to the amendment of the Senate numbered 332, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "18;"

And the Senate agree to the same.

Amendment numbered 333: That the House recede from its disagreement to the amendment of the Senate numbered 333, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(E) the month in which such child attains the age of 18, but only if he (1) is not under a disability (as so defined) at the time he attains such age, and (ii) is not a full-time student during any part of such month,

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22, or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

And the Senate agree to the same.

Amendment numbered 346: That the House recede from its disagreement to the amendment of the Senate numbered 346, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "18"; and the Senate agree to the same.

Amendment numbered 362: That the House recede from its disagreement to the amendment of the Senate numbered 362, and agree to the same with amendments as follows: On page 82, line 8, of the Senate engrossed amendments, strike out "\$150" and insert the following: "\$125". On page 82,

line 14, of the Senate engrossed amendments, strike out "\$150" and insert the following: "\$125".

And the Senate agree to the same.

Amendment numbered 364: That the House recede from its disagreement to the amendment of the Senate numbered 364, and agree to the same with amendments as follows: Restore the matter proposed to be stricken out by the Senate amendment, and omit the matter proposed to be inserted by the Senate amendment.

On page 222, line 17, 18, and 19, of the House engrossed bill, strike out "Such tips shall be deemed to be paid to the employee by the employer and shall be deemed to be so paid" and insert the following: "Such remuneration shall be deemed to be paid"

On page 223 of the House engrossed bill, strike out line 10 and all that follows through line 23 on page 224 and insert the following:

"(c) SPECIAL RULE FOR TIPS.—

"(1) In the case of tips which constitute wages, subsection (a) shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053(a), and only to the extent that collection can be made by the employer, at or after the time such statement is so furnished and before the close of the 10th day following the calendar month (or, if paragraph (3) applies, the 30th day following the quarter) in which the tips were deemed paid, by deducting the amount of the tax from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) as are under control of the employer.

"(2) If the tax imposed by section 3101, with respect to tips which are included in written statements furnished in any month to the employer pursuant to section 6053(a), exceeds the wages of the employee (excluding tips) from which the employer is required to collect the tax under paragraph (1), the employee may furnish to the employer on or before the 10th day of the following month (or, if paragraph (3) applies, on or before the 30th day of the following quarter) an amount of money equal to the amount of the excess.

"(3) The Secretary or his delegate may, under regulations prescribed by him, authorize employers—

"(A) to estimate the amount of tips that will be reported by the employee pursuant to section 6053(a) in any quarter of the calendar year,

"(B) to determine the amount to be deducted upon each payment of wages (exclusive of tips) during such quarter as if the tips so estimated constituted the actual tips so reported, and

"(C) to deduct upon any payment of wages (other than tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) to such employee during such quarter (and within 30 days thereafter) such amount as may be necessary to adjust the amount actually deducted upon such wages of the employee during the quarter to the amount required to be deducted in respect of tips included in written statements furnished to the employer during the quarter.

"(4) If the tax imposed by section 3101 with respect to tips which constitute wages exceeds the portion of such tax which can be collected by the employer from the wages of the employee pursuant to paragraph (1) or paragraph (3), such excess shall be paid by the employee."

On page 226 of the House engrossed bill, strike out lines 3 through 7 and insert the following:

"(q) TIPS INCLUDED FOR EMPLOYEE TAXES.—For purposes of this chapter other than for purposes of the taxes imposed by section 3111, tips received by an employee in the

course of his employment shall be considered remuneration for employment. Such remuneration shall be deemed to be paid at the time a written"

On page 226, lines 17, 18, and 19, of the House engrossed bill, strike out "Such tips shall be deemed to be paid to the employee by the employer, and shall be deemed to be so paid" and insert the following: "Such wages shall be deemed to be paid"

On page 227, after line 14, of the House engrossed bill, insert the following:

"(4) Section 3402(h) (3) of such Code (relating to income tax withholding on basis of average wages) is amended by inserting after 'quarter' the first place it appears the following: '(and, in the case of tips referred to in subsection (k), within 30 days thereafter)'

On page 227, line 15, of the House engrossed bill, strike out "(4)" and insert the following: "(5)"

On page 227, lines 23 and 24, of the House engrossed bill, strike out "the employee receives the tips which are included in such statement," and insert the following: "such statement is furnished."

On page 228 of the House engrossed bill, strike out lines 15 through 26 and insert the following: "the aggregate of such wages and funds (including funds turned over under section 3102(c) (2)) minus any tax required by section 3102(a) to be collected from such wages and funds."

(e) (1) Section 6051(a) of such Code (relating to receipts for employees) is amended by adding at the end thereof the following new sentence: "In the case of tips received by an employee in the course of his employment, the amounts required to be shown by paragraphs (3) and (5) shall include only such tips as are included in statements furnished to the employer pursuant to section 6053(a)."

On page 229, line 6, of the House engrossed bill, after "(a)" insert the following: REPORTS BY EMPLOYEES.—

On page 229 of the House engrossed bill, strike out lines 15 through 22 and insert the following:

"(b) STATEMENT FURNISHED BY EMPLOYERS.—If the tax imposed by section 3101 with respect to tips reported by an employee pursuant to subsection (a) exceeds the tax which can be collected by the employer pursuant to section 3102, the employer shall furnish to the employee a written statement showing the amount of such excess. The statement required to be furnished pursuant to this subsection shall be furnished at such time, shall contain such other information, and shall be in such form as the Secretary or his delegate may by regulation prescribe. When required by such regulations, a duplicate of any such statement shall be filed with the Secretary or his delegate."

(B) Section 6652(b) of such Code (relating to failure to file information returns) is amended by inserting after "income tax withheld," the following: "and in the case of each failure to furnish a statement required by section 6053(b) (relating to statements furnished by employers with respect to tips)";

(C) Section 6674 of such code (relating to fraudulent statement or failure to furnish statement to employee) is amended by striking out "6051" each place it appears and inserting in lieu thereof "6051 or 6053(b)".

On page 229, line 23, of the House engrossed bill, strike out "(B)" and insert the following: (D)

On page 230 of the House engrossed bill, strike out lines 5 through 20 and insert the following:

"(c) FAILURE TO REPORT TIPS.—In the case of failure by an employee to report to his employer on the date and in the manner prescribed therefore any amount of tips required to be so reported by section 6053(a) which are wages (as defined in section

3121(a)), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be paid by the employee, in addition to the tax imposed by section 3101 with respect to the amount of tips which he so failed to report, an amount equal to 50 percent of such tax."

On page 230, line 21, of the House engrossed bill, strike out "(g)" and insert the following: "(f)".

And the Senate agree to the same.

Amendment numbered 385: That the House recede from its disagreement to the amendment of the Senate numbered 385, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 1966, and; and the Senate agree to the same.

Amendment numbered 407: That the House recede from its disagreement to the amendment of the Senate numbered 407, and agree to the same with amendments as follows:

Strike out the matter proposed to be stricken out by the Senate amendment.

Insert the matter proposed to be inserted by the Senate amendment.

On page 253, line 9, of the House engrossed bill, strike out "1969," and insert the following: "1967,".

On page 253, after line 11, of the House engrossed bill, insert the following:

"(2) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 5.9 percent of the amount of the self-employment income for such taxable year."

On page 253, line 12, of the House engrossed bill, strike out "(2)" and insert the following: "(3)".

On page 253, line 17, of the House engrossed bill, strike out "(3)" and insert the following: "(4)".

And the Senate agree to the same.

Amendment numbered 420: That the House recede from its disagreement to the amendment of the Senate numbered 420, and agree to the same with amendments as follows: Strike out the matter proposed to be stricken out by the Senate amendment. Insert the matter proposed to be inserted by the Senate amendment.

On page 255, line 12, of the House engrossed bill, strike out "years 1966, 1967, and 1968," and insert the following: "year 1966,".

On page 255, after line 13, of the House engrossed bill, insert the following:

"(2) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 3.9 percent;".

On page 255, line 14, of the House engrossed bill, strike out "(2)" and insert the following: "(3)".

On page 255, line 17, of the House engrossed bill, strike out "(3)" and insert the following: "(4)".

And the Senate agree to the same.

Amendment numbered 422: That the House recede from its disagreement to the amendment of the Senate numbered 422, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "4.85".

And the Senate agree to the same.

Amendment numbered 435: That the House recede from its disagreement to the amendment of the Senate numbered 425, and agree to the same with amendments as follows: Strike out the matter proposed to be stricken out by the Senate amendment. Insert the matter proposed to be inserted by the Senate amendment.

On page 257, line 4, of the House engrossed bill, strike out "years 1966, 1967, and 1968," and insert the following: "year 1966,".

On page 257, after line 5, of the House engrossed bill, insert the following:

"(2) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 3.9 percent;".

On page 257, line 6, of the House engrossed bill, strike out "(2)" and insert the following: "(3)".

On page 257, line 9, of the House engrossed bill, strike out "(3)" and insert the following: "(4)".

And the Senate agree to the same.

Amendment numbered 437: That the House recede from its disagreement to the amendment of the Senate numbered 437, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "4.85".

And the Senate agree to the same.

Amendment numbered 458: That the House recede from its disagreement to the amendment of the Senate numbered 458, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

#### "UNDERPAYMENTS

"Sec. 329. Section 204 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, and the total amount due at the time of his death does not exceed the amount of the monthly insurance benefit to which he was entitled for the month preceding the month in which he died, payment of the amount due shall be made—

"(1) to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and to have been living in the same household with the deceased at the time of his death, or

"(2) if there is no such person, or if such person dies before receiving payment to the legal representative of the estate of such deceased individual."

And the Senate agree to the same.

Amendment numbered 460: That the House recede from its disagreement to the amendment of the Senate numbered 460, and agree to the same with amendments as follows:

On page 99, line 6, of the Senate engrossed amendments, after "tax" insert the following: "exemptions".

On page 100, line 9, of the Senate engrossed amendments, strike out "this paragraph" and insert the following: "the Social Security Amendments of 1965".

On page 100, line 12, of the Senate engrossed amendments, strike out "this paragraph" and insert the following: "the Social Security Amendments of 1965".

On page 101, line 1, of the Senate engrossed amendments, strike out "(B)," and insert the following: "(B) ending before January 1, 1966,".

On page 101, line 12, of the Senate engrossed amendments, after "Code" insert the following: "of 1954, as amended by subsection (a)".

On page 101, line 15, of the Senate engrossed amendments, after "year" insert the following: "ending before January 1, 1966,".

On page 102, line 3, of the Senate engrossed amendments, after "year" insert the following: "ending before January 1, 1966,".

And the Senate agree to the same.

Amendment numbered 461: That the House recede from its disagreement to the amendment of the Senate numbered 461, and agree to the same with an amendment as follows: On page 103, line 16, of the Senate engrossed amendments, after "claimant" insert the following: "under this title".

And the Senate agree to the same.

Amendment numbered 462: That the House recede from its disagreement to the amendment of the Senate numbered 462, and

agree to the same with an amendment as follows: On page 105, line 15, of the Senate engrossed amendments, strike out "(3)," and insert the following: "(3) and subsection (q)".

And the Senate agree to the same.

Amendment numbered 464: That the House recede from its disagreement to the amendment of the Senate numbered 464, and agree to the same with amendments as follows: On page 110 of the Senate engrossed amendments, strike out lines 10 through 14 and insert the following:

"Sec. 335. Effective with respect to benefits under title II of the Social Security Act for months after December 1965 based on the wages and self-employment income of an individual who is entitled to benefits under section 223 of such Act and whose period of disability (as defined in such title) began after June 1, 1965, title II of such Act is amended by inserting after section 223 the following new section:"

On page 111, line 8, of the Senate engrossed amendments, strike out "month and" and insert the following: "month, and".

On page 111, line 21, of the Senate engrossed amendments, after "month" insert the following: "(in a continuous period of months)".

And the Senate agree to the same.

Amendment numbered 466: That the House recede from its disagreement to the amendment of the Senate numbered 466, and agree to the same with amendments as follows: On page 117 of the Senate engrossed amendments, strike out lines 6 through 9 and insert the following:

"Sec. 336. Section 222 of the Social Security Act is amended by adding at the end thereof the following new subsection:"

On page 117, line 11, of the Senate engrossed amendments, strike out "(b) (1)" and insert the following: "(d) (1)".

On page 118, line 5, of the Senate engrossed amendments, before "benefits" insert the following: "total of the".

On page 118, line 7, of the Senate engrossed amendments, strike out "or" and insert the following: ", and the benefits".

On page 119, line 8, of the Senate engrossed amendments, before "followed" insert the following: "which would otherwise be".

And the Senate agree to the same.

Amendment numbered 467: That the House recede from its disagreement to the amendment of the Senate numbered 467, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

#### "TEACHERS IN THE STATE OF MAINE

"Sec. 337. (a) Section 316 of the Social Security Amendments of 1958 is amended by striking out 'July 1, 1965' and inserting in lieu thereof 'July 1, 1967'.

"(b) The amendment made by this section shall be effective as of July 1, 1965."

And the Senate agree to the same.

Amendment numbered 468: That the House recede from its disagreement to the amendment of the Senate numbered 468, and agree to the same with an amendment as follows: On page 121, line 8, of the Senate engrossed amendments, strike out "339" and insert the following: "338".

And the Senate agree to the same.

Amendment numbered 469: That the House recede from its disagreement to the amendment of the Senate numbered 469, and agree to the same with an amendment as follows: On page 122, line 4, of the Senate engrossed amendments, strike out "340" and insert the following: "339".

And the Senate agree to the same.

Amendment numbered 472: That the House recede from its disagreement to the amendment of the Senate numbered 472, and agree to the same with an amendment as

follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**"DISCLOSURE, UNDER CERTAIN CIRCUMSTANCES, TO COURTS AND INTERESTED WELFARE AGENCIES OF WHEREABOUTS OF INDIVIDUALS"**

"Sec. 340. Section 1106 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(c) (1) Upon request (filed in accordance with paragraph (2) of this subsection) of any State or local agency participating in administration of the State plan approved under title I, IV, X, XIV, XVI, or XIX, or participating in the administration of any other State or local public assistance program, for the most recent address of any individual included in the files of the Department of Health, Education, and Welfare maintained pursuant to section 205, the Secretary shall furnish such address, or the address of the most recent employer, or both, if such agency certifies that—

"(A) an order has been issued by a court of competent jurisdiction against such individual for the support and maintenance of his child or children who are under the age of 16 in destitute or necessitous circumstances,

"(B) such child or children are applicants for or recipients of assistance available under such a plan or program,

"(C) such agency has attempted without success to secure such information from all other sources reasonably available to it, and

"(D) such information is requested (for its own use, or on the request and for the use of the court which issued the order) for the purpose of obtaining such support and maintenance.

"(2) A request under paragraph (1) shall be filed in such manner and form as the Secretary may prescribe, and shall be accompanied by a certified copy of the order referred to in paragraph (1) (A).

"(3) The penalties provided in the second sentence of subsection (a) shall apply with respect to use of information provided under paragraph (1) of this subsection except for the purpose authorized by subparagraph (D) thereof.

"(4) The Secretary, in such cases and to such extent as he may prescribe in accordance with regulations, may require payment for the cost of information provided under paragraph (1); and the provisions of the second sentence of subsection (b) shall apply also with respect to payment under this paragraph."

And the Senate agree to the same.

Amendment numbered 473: That the House recede from its disagreement to the amendment of the Senate numbered 473, and agree to the same with an amendment as follows: On page 132, line 9, of the Senate engrossed amendments, strike out "344" and insert the following: "341"; and the Senate agree to the same.

Amendment numbered 475: That the House recede from its disagreement to the amendment of the Senate numbered 475, and agree to the same with an amendment as follows: On page 134, line 18, of the Senate engrossed amendments, strike out "346" and insert the following: "342"; and the Senate agree to the same.

Amendment numbered 476: That the House recede from its disagreement to the amendment of the Senate numbered 476, and agree to the same with an amendment as follows: On page 135, line 15, of the Senate engrossed amendments, strike out "347" and insert the following: "343"; and the Senate agree to the same.

Amendment numbered 477: That the House recede from its disagreement to the amendment of the Senate numbered 477, and

agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**"DISABILITY INSURANCE BENEFITS FOR THE BLIND; SPECIAL PROVISIONS"**

"Sec. 344. (a) Section 216(1)(3) of the Social Security Act (as amended by section 303 of this Act) is further amended by striking out subparagraph (B) and all that follows and inserting in lieu thereof the following:

"(B) (i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with such quarter, or

"(ii) if such quarter ends before he attains (or would attain) age 31 and he is under a disability by reason of blindness (as defined in paragraph (1)), not less than one-half (and not less than 6) of the quarters during the period ending with such quarter and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage;

except that the provisions of subparagraph (A) of this paragraph shall not apply in the case of an individual with respect to whom a period of disability would, but for such subparagraph, begin before 1951. For purposes of subparagraph (B) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a prior period of disability unless such quarter was a quarter of coverage."

"(b) Section 223(c)(1) of such Act is amended by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) (i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with the quarter in which such month occurred, or

"(ii) if such month ends before he attains (or would attain) age 31 and he is under a disability by reason of blindness (as defined in section 216(1)(1)), not less than one-half (and not less than 6) of the quarters during the period ending with the quarter in which such month occurred and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage.

For purposes of subparagraph (B) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a period of disability unless such quarter was a quarter of coverage."

"(c) Section 223(a)(1) of such Act (as amended by section 303 of this Act) is further amended by adding the following sentence at the end thereof: 'No payment under this paragraph may be made to an individual who would not meet the definition of disability in subsection (c)(2) except for subparagraph (B) thereof for any month in which he engages in substantial gainful activity, and no payment may be made for such month under subsection (b), (c), or (d) of section 202 to any person on the basis of the wages and self-employment income of such individual.'

"(d) The first sentence of section 223(c)(2) of such Act (as amended by section 303 of this Act) is further amended by adding after subparagraph (A) the following new subparagraph:

"(B) in the case of an individual who has attained the age of 55 and is blind (within the meaning of "blindness" as defined in section 216(1)(1)), inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time.'

"(e) The amendments made by this section shall apply only with respect to monthly benefits under title II of the Social Security Act for months after the first month following the month in which this Act is enacted, on the basis of applications for such benefits filed in or after the month in which this Act is enacted."

And the Senate agree to the same.

Amendment numbered 485: That the House recede from its disagreement to the amendment of the Senate numbered 485, and agree to the same with an amendment as follows: On page 142, line 18, of the Senate engrossed amendments, strike out "\$7" and insert the following: "\$5"; and the Senate agree to the same.

Amendment numbered 486: That the House recede from its disagreement to the amendment of the Senate numbered 486, and agree to the same with amendments as follows: On page 143, line 2, of the Senate engrossed amendments, strike out "411" and insert the following "410".

On page 143, line 6 and 11, of the Senate engrossed amendments, strike out "\$7" and insert the following: "\$5".

And the Senate agree to the same.

Amendment numbered 487: That the House recede from its disagreement to the amendment of the Senate numbered 487, and agree to the same with an amendment as follows: On page 143, line 18, of the Senate engrossed amendments, strike out "\$7" and insert the following: "\$5"; and the Senate agree to the same.

Amendment numbered 488: That the House recede from its disagreement to the amendment of the Senate numbered 488, and agree to the same with an amendment as follows: On page 146, line 1, of the Senate engrossed amendments, strike out "\$7" and insert the following: "\$5"; and the Senate agree to the same.

Amendment numbered 499: That the House recede from its disagreement to the amendment of the Senate numbered 499, and agree to the same with amendments as follows: Strike out the matter proposed to be stricken out by the Senate amendment, insert the matter proposed to be inserted by the Senate amendment, and on page 294, line 26, of the House engrossed bill, strike out "such Act" and insert the following: "the Social Security Act"; and the Senate agree to the same.

Amendment numbered 511: That the House recede from its disagreement to the amendment of the Senate numbered 511, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**"ELIGIBILITY OF CHILDREN OVER AGE 18 ATTENDING SCHOOL"**

"Sec. 409. Clause (2)(B) of section 406 (a) of the Social Security Act is amended by striking out '(as determined in accordance with standards prescribed by the Secretary) a student regularly attending a high school in pursuance of a course of study leading to a high school diploma or its equivalent,' and inserting in lieu thereof '(as determined by the State in accordance with standards prescribed by the Secretary) a student regularly attending a school, college, or university.'"

And the Senate agree to the same.

Amendment numbered 512: That the House recede from its disagreement to the amendment of the Senate numbered 512, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**"DISREGARDING CERTAIN EARNINGS IN DETERMINING NEED OF CERTAIN DEPENDENT CHILDREN**

"Sec. 410. Effective July 1, 1965, so much of clause (7) of section 402(a) of the Social Security Act as follows the first semicolon is amended by inserting after 'except that, in making such determination,' the following: '(A) the State agency may disregard not more than \$50 per month of earned income of each dependent child under the age of 18 but not in excess of \$150 per month of earned income of such dependent children in the same home, (B)'."

And the Senate agree to the same.

Amendment numbered 513: That the House recede from its disagreement to the amendment of the Senate numbered 513, and agree to the same with amendments as follows:

On page 149, line 13, of the Senate engrossed amendments, strike out "Sec. 412." and insert the following: "Sec. 411."

On page 149, line 18, of the Senate engrossed amendments, strike out "(a)".

On page 150, line 13, of the Senate engrossed amendments, strike out "sections." and insert the following: "sections".

On page 150 of the Senate engrossed amendments, strike out line 14 and all that follows through line 5 on page 152.

And the Senate agree to the same.

Amendment to title: That the House recede from its disagreement to the amendment of the Senate to the title of the bill.

W. D. MILLS,  
CECIL R. KING,  
HALE BOGGS,  
EUGENE J. KEOGH,  
JOHN W. BYRNES,  
THOS. B. CURTIS,  
JAMES B. UTT,

*Managers on the Part of the House.*

RUSSELL B. LONG,  
GEORGE A. SMATHERS,  
CLINTON P. ANDERSON,  
JOHN J. WILLIAMS,  
FRANK CARLSON,

*Managers on the Part of the Senate.*

**STATEMENT**

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical, clerical, clarifying, or conforming changes: 1, 3, 4, 5, 6, 10, 11, 12, 13, 14, 18, 20, 21, 22, 23, 24, 26, 27, 29, 30, 36, 37, 38, 39, 40, 41, 43, 44, 45, 46, 47, 48, 49, 49a, 49b, 51, 52, 53, 54, 56, 57, 58, 60, 61, 62, 64, 65, 68, 69, 71, 72, 73a, 75, 76, 77, 78, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 107, 108, 109, 110, 111, 112, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127a, 133, 135, 136, 139, 140, 142, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 157, 161a, 162a, 162b, 162c, 164a, 165, 168, 170, 171, 172, 173, 174, 175, 176a, 177, 179, 182a, 182b, 183, 184, 185, 185a, 185b, 187, 188, 189, 190, 194, 196, 196a, 197, 198, 199, 200, 201, 202, 204, 206, 207, 208, 209, 211, 212, 213, 214, 218, 224, 225, 226, 228, 229,

230, 231, 235, 236, 237, 238, 239, 241, 242, 243, 244, 245, 246, 252, 253, 255, 256, 257, 258, 259, 260, 261, 264, 265, 268, 269, 275, 278, 279, 280, 283, 284, 286, 287, 291, 292, 294, 297, 301, 307, 308, 310, 311, 314, 315, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 331, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 347, 348, 349, 350, 351, 354, 356, 359, 365, 369, 370, 371, 372, 375, 377, 379, 388, 390, 392, 395, 398, 450, 451, 452, 453, 454, 455, 456, 481, 482, 483, 489, 490, 493, 494, 495, 496, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, and 509.

With respect to these amendments (1) the House either recedes or recedes with amendments which are technical, clerical, clarifying, or conforming in nature; or (2) the Senate recedes in order to conform to other action agreed upon by the committee of conference.

**REQUIREMENT OF PRIOR HOSPITALIZATION FOR COVERAGE OF HOME HEALTH SERVICES UNDER PART A—DURATION OF SUCH SERVICES**

Amendments Nos. 2, 9, 19, 42, and 161: The House bill limited payment for home health services under part A of the new title XVIII of the Social Security Act to services furnished an individual within 1 year following his most recent discharge from a hospital in which he stayed at least 3 days or, if later, 1 year following his most recent discharge from an extended care facility in which he received covered posthospital extended care services. Under the House bill, payment would be made for up to 100 visits during such 1-year period after the beginning of one spell of illness and before the beginning of the next such spell, and the services would be covered only if the physician certified that the individual required home health services for any of the conditions for which he was receiving inpatient hospital services or posthospital extended care services.

The Senate amendments (1) deleted the requirement of prior hospitalization; (2) removed the requirement of certification described above; and (3) provided for payment for up to 175 home health visits per calendar year.

The Senate recedes.

**DURATIONAL LIMITATION ON INPATIENT HOSPITAL BENEFITS**

Amendments Nos. 7 and 25: Under the House bill, section 1812 of the new title XVIII of the Social Security Act provided for a durational limitation on payments for inpatient hospital services of 60 days per spell of illness.

The Senate amendments modified the House provision by changing sections 1812 and 1813 of the new title XVIII of the Social Security Act to remove the durational limitation on payments for inpatient hospital services, and to provide for reducing the payment for each day after the 60th day of hospital care in each spell of illness by a deduction equal to one-fourth of the inpatient deductible (a \$10 reduction initially).

The conference agreement provides for a durational limitation on inpatient hospital benefits of 90 days per spell of illness, with payment by the program for each day after the 60th day and before the 91st day of hospital care reduced by a coinsurance amount equal to one-fourth of the inpatient hospital deductible. (This change, and other changes, in terminology from "deduction" to "coinsurance amount" help make it clear that the amounts in question are not "deductibles" for purposes of the new title XIX of the Social Security Act, relating to Federal-State medical assistance programs.)

**DURATIONAL LIMITATION ON EXTENDED CARE SERVICES: INPATIENT PSYCHIATRIC AND TUBERCULOSIS HOSPITAL SERVICES FOR INDIVIDUAL HOSPITALIZED ON ENTITLEMENT**

Amendments Nos. 8, 17, and 31: Under the House bill, sections 1812(a), 1812(c), and

1813 of the new title XVIII of the Social Security Act provided that payment would be made for posthospital extended care services for up to 20 days in a spell of illness, plus 2 additional days (up to a maximum of 80 additional days) for each day that the person's hospital stay was less than 60 days. Section 1812(d) provided that if an individual were in a tuberculosis hospital on the first day of the first month for which he was entitled to benefits under the hospital insurance program, the days on which he was an inpatient of a tuberculosis hospital in the 60-day period preceding that first day would be counted toward the 60-day maximum limit on benefit payments for inpatient hospital services in a spell of illness.

The Senate amendments provided that payment would be made for up to 100 days of posthospital extended care services in a spell of illness, with payment by the program for each day after the 20th day of such services reduced by a coinsurance amount equal to one-eighth of the inpatient hospital deductible (a \$5 reduction initially). The Senate amendments deleted (1) the provision that payment could be made for additional days of posthospital extended care services; and (2) section 1812(d).

The House recedes with a technical amendment and an amendment providing that days in a psychiatric or tuberculosis hospital in the 90-day period immediately preceding an individual's entitlement to hospital insurance benefits will be counted toward the 90-day limitation on payments for inpatient hospital care in a spell of illness, but not toward the 190-day lifetime limitation discussed below.

**INPATIENT PSYCHIATRIC HOSPITAL SERVICES**

Amendments Nos. 15, 67, and 79: Under the House bill, section 1832(a)(2)(A) in part B of the new title XVIII of the Social Security Act provided for coverage of inpatient psychiatric hospital services with a lifetime limit of 180 days on coverage of such services. The Senate amendments transferred coverage of inpatient psychiatric hospital services from part B to part A of title XVIII and provided for a lifetime limit of 210, rather than 180, days on coverage of inpatient psychiatric hospital services.

Under the conference agreement, inpatient psychiatric hospital services are covered under part A of the new title XVIII, and there is a lifetime limit for each individual for such coverage of 190 days.

**POSTHOSPITAL EXTENDED CARE FOR MENTAL DISEASE**

Amendments Nos. 16 and 158: Section 1861(j) of the new title XVIII, added to the Social Security Act by the House bill, excluded from the definition of an extended care facility an institution which is primarily for the care and treatment of mental diseases or tuberculosis.

The Senate amendment deleted this exclusion and added a new provision including within the lifetime limit imposed on inpatient psychiatric hospital services any days of posthospital extended care services for the care or treatment of any mental disease (whether or not such services are furnished in a facility that is primarily for the care and treatment of mental diseases).

The Senate recedes. Under the conference agreement an institution which is primarily for the care and treatment of mental diseases or tuberculosis is excluded from the definition of an extended care facility.

**OUTPATIENT HOSPITAL DIAGNOSTIC SERVICES AND INPATIENT DEDUCTIBLE**

Amendments Nos. 25, 28, and 74: Under the House bill, section 1813(a)(1) of the new title XVIII of the Social Security Act provided for crediting against the inpatient hospital deductible the amount of the outpatient hospital diagnostic deductible in certain instances where the individual was hospitalized in the same hospital after receiving outpatient diagnostic services.

Senate amendment No. 25 deleted this provision. Senate amendment No. 74 added a provision to section 1833(b) of the new title XVIII under which an outpatient diagnostic deductible imposed under part A of title XVIII would be counted as an incurred expense for purposes of the \$50 deductible under part B. Senate amendment No. 28 added a provision to section 1813(a)(2) of the new title XVIII, under which payment by the program for outpatient hospital diagnostic services would be reduced by 20 percent of the remainder of the reasonable cost of the services after deduction of the deductible amount.

The House recedes with technical amendments and with an amendment providing that an outpatient diagnostic deductible incurred in the last 3 months of any calendar year will apply against the \$50 deductible amount under part B in the following year if it was applied against the \$50 deductible for the calendar year in which the diagnostic services were furnished.

#### ROUNDING OF INCREASES IN INPATIENT HOSPITAL DEDUCTIBLE

Amendments Nos. 32, 33, 34, and 35: The House bill provided, in section 1813(b)(2) of the new title XVIII, that in determining the amount of the inpatient hospital deductible in the future, any amount which is not a multiple of \$5 would be rounded to the nearest multiple of \$5.

The Senate amendment provided for rounding to the nearest multiple of \$4.

The House recedes.

#### EMERGENCY HOSPITAL SERVICES FURNISHED OUTSIDE THE UNITED STATES

Amendment No. 50: The Senate amendment added to the House bill a new section 1814(f) of the new title XVII. The amendment provided for payment for certain emergency inpatient hospital services furnished outside the United States despite the general exclusion, in both the House and Senate bills, of services furnished outside the United States. Such emergency services would be covered only if the patient was within the United States when the emergency which necessitated the hospitalization occurred and only if the hospital in question was closer or substantially more accessible than comparable facilities within the United States.

The House recedes.

#### RELIEF FROM LIABILITY OF AGENCY OR ORGANIZATION WHERE CERTIFYING OR DISBURSING OFFICER IS RELIEVED OF LIABILITY

Amendments Nos. 55 and 129: The Senate amendment added to section 1816(g) and section 1842(e) of the new title XVIII provisions which would grant to agencies and organizations authorized to make payments under part A and carriers authorized to make payments under part B the same immunity from liability for incorrect payments as would be provided their certifying and disbursing officers.

The House recedes.

#### GENERAL REVENUE FINANCING OF HOSPITAL BENEFITS BEYOND THE 90TH DAY

Amendment No. 59: The Senate added an amendment to the new section 1817(a) of the Social Security Act which authorized appropriations from the general fund in the Treasury sufficient to place the Federal hospital insurance trust fund in the same position as if hospital insurance benefits were not payable beyond 60 days during a spell of illness.

The Senate recedes.

#### NAME OF THE SUPPLEMENTARY PROGRAM

Amendment No. 63: The House bill referred to the program provided under part B of the new title XVIII as "supplementary health insurance". The Senate amendment changed the name to "supplementary medical insurance".

The House recedes.

#### INCORPORATION OF PHYSICIANS' SERVICES IN DEFINITION OF MEDICAL AND OTHER HEALTH SERVICES AND COVERAGE OF CHIROPRACTORS' AND PODIATRISTS' SERVICES

Amendments Nos. 66, 166, and 186: Under the House bill, section 1832(a)(1) of the new title XVIII of the Social Security Act listed physicians' services and medical and other health services separately, and section 1861(s) (redesignated as 1861(r) by the Senate bill) which defined medical and other health services did not include physicians' services in the definition. Under the House bill, services of chiropractors and podiatrists were not listed as covered services.

The Senate amendments included physicians' services in the definition of medical and other health services in the redesignated section 1861(r) and did not list physicians' services separately in section 1832(a)(1). The Senate amendments also provided for coverage of chiropractors' and podiatrists' services as medical and other health services.

The conference agreement includes physicians' services in the definition of medical and other health services and the effect of the agreement is to exclude chiropractors' and podiatrists' services from coverage as medical and other health services.

#### PROFESSIONAL SERVICES OF CERTAIN MEDICAL SPECIALISTS

Amendments Nos. 70 and 141: Under the House bill, section 1861(b) of the new title XVIII excluded from the definition of inpatient hospital services the medical or surgical services of physicians. Except for the services of certain interns and residents in training, physicians' services would not be covered under part A of title XVIII but would be covered only under part B. Under section 1832(a) of title XVIII, payment could not be made under part B to a provider of services (a hospital, extended care facility, or a home health agency) for the services of a physician; the payment would have to be made to the beneficiary or, under certain circumstances, to the physician.

Senate amendment No. 141 added to section 1861(b) of the new title XVIII a provision under which payment under part A would be made for the services of physicians in the fields of pathology, radiology, psychiatry, and anesthesiology when their services are provided by the hospital or under "arrangements" with the hospital. "Arrangements" would be limited to those under which receipt of payment by the hospital discharged the liability of the beneficiary or any other person to pay for the specialist's services. Amendment No. 70 modified section 1832(a) of the new title XVIII to permit payment to be made under part B of the new title to a provider of services for physicians' services in the fields of pathology, radiology, psychiatry, or anesthesiology where the physician's services were furnished by the physician under arrangement with the provider of services.

The conference agreement follows the House bill with a technical amendment on Senate amendment No. 70.

#### OPTION TO RECEIVE PAYMENT ON BASIS OF COST INSTEAD OF CHARGES FOR PREPAYMENT ORGANIZATIONS

Amendment No. 73: Section 1833(a)(1) of the new title XVIII, added by the House bill, required that payment under part B of the new title for physicians' services and for other medical and health services not furnished by a provider of services (a hospital, extended care facility, or home health agency) must be made on the basis of charges rather than cost.

Senate amendment No. 73 modified this provision to provide, for group practice prepayment plans, the option of having the program pay, with respect to the covered services (including physicians' services) they furnish their members, 80 percent of reason-

able cost instead of 80 percent of reasonable charges.

The House recedes.

#### ELIGIBILITY REQUIREMENTS FOR ALIENS

Amendments Nos. 95, 215, and 216: Section 103(a)(4) of the House bill provided that an alien who otherwise meets the eligibility requirements under the transitional provision providing eligibility for certain uninsured individuals under part A of the new title XVIII must also, to be eligible, have resided continuously in the United States for 10 or more years, immediately preceding the month in which he applied for hospital insurance protection. Section 1836 of the new title XVIII, under the House bill, provided that an alien who otherwise meets the eligibility requirements for enrollment under part B of the new title, must also, to be eligible, have been lawfully admitted for permanent residence in the United States.

Senate amendment No. 215 added, to the eligibility requirements of the House bill for an alien under the transitional provision for eligibility under part A, the requirement that the alien have been lawfully admitted for permanent residence; and amendment No. 216 reduced the required period of continuous residence in the United States from 10 years to 6 months. Amendment No. 95 added, to the eligibility requirements of the House bill for an alien under part B of title XVIII, the requirement that the alien must have resided continuously in the United States for 10 or more years immediately preceding the month in which he applied for enrollment under part B.

Under the conference agreement, to be eligible for the transitional provision for purposes of part A, an alien must have been lawfully admitted for permanent residence in the United States and must have resided continuously for 5 or more years immediately preceding application for benefits. For enrollment under part B, an alien must either (1) have been lawfully admitted for permanent residence in the United States and have resided continuously in the United States for 5 or more years immediately preceding application for enrollment; or (2) be entitled to hospital insurance benefits under part A.

#### TIME FOR ENROLLMENT IN THE SUPPLEMENTARY INSURANCE PROGRAM

Amendments Nos. 96, 97, 98, 99, and 100: The House bill provided under section 1837 of the new title XVIII that individuals who reach age 65 before 1966 would have an enrollment period beginning with the second month after the month of enactment of the bill and ending on March 31, 1966. The House bill also provided for there to be general enrollment periods during the last quarter of odd-numbered years beginning with 1967.

The Senate amendments provided for an enrollment period during the second and third quarters of 1966 for persons who reach age 65 before July 1966 and general enrollment periods during the last quarter of even-numbered years beginning in 1968.

The conference agreement follows the House bill, with a technical amendment.

#### EFFECTIVE DATE FOR BENEFITS UNDER THE SUPPLEMENTARY INSURANCE PROGRAM

Amendment No. 101: This amendment modified section 1838(a)(1) of the new title XVIII by providing that payment would be made under part B for services furnished on or after January 1, 1967, rather than for services furnished on or after July 1, 1966.

The Senate recedes.

#### BEGINNING DATE OF COVERAGE PERIOD UNDER THE SUPPLEMENTARY INSURANCE PROGRAM

Amendment No. 102: Under the House bill, section 1838(a) of the new title XVIII provided that an individual who enrolled under part B of the new title during the 7-month enrollment period beginning with the third

month before the month he reached age 65 would have protection under the supplementary insurance program beginning with the third month following the month in which he enrolled.

Under Senate amendment No. 102, the same 7-month enrollment period is retained but the individual's coverage would take effect as follows: If the individual enrolled before the month in which he attained age 65, the insurance would take effect with the month in which he attained age 65; if he enrolled in the month in which he attained age 65, the insurance would take effect with the following month; if he enrolled in the month following the month in which he attained age 65, it would take effect with the second month following the month of enrollment; if he enrolled more than 1 month following the month in which he attained age 65, the insurance would take effect with the third month following the month in which he enrolled.

The House recedes.

#### YEARS WHEN PREMIUM AMOUNTS APPLY AND ARE DETERMINED

Amendments Nos. 103, 104, 105, and 106: Under the House bill, section 1839 of the new title XVIII provided that monthly premiums under the supplementary insurance program would be \$3 until 1968. For 1968 and subsequent years, the monthly premiums would be subject to change. The Secretary of Health, Education, and Welfare would, between July 1 and October 1, 1967, and each odd-numbered year thereafter, determine and promulgate the monthly premium.

The Senate amendment provided for the \$3 premium amount to remain in effect through 1968 and for changes in premiums to be determined by the Secretary in 1968 and each even-numbered year thereafter.

The Senate recedes.

#### DEDUCTION FROM CIVIL SERVICE ANNUITIES OF PREMIUMS UNDER THE SUPPLEMENTARY INSURANCE PROGRAM

Amendment No. 113: This amendment added to section 1840 of the new title XVIII a new subsection (e) authorizing the withholding of premiums of an enrolled individual from the annuity he receives under the civil service retirement system or any other retirement system administered by the Civil Service Commission. If the wife of such an individual was also enrolled, and he agreed, her premium could also be withheld from his monthly annuity.

The House recedes.

#### ADMINISTRATION OF BENEFITS UNDER THE SUPPLEMENTARY INSURANCE PROGRAM

Amendment No. 127: Under the House bill, section 1842(a) of the new title XVIII required the Secretary of Health, Education, and Welfare, to the extent possible, to enter into contracts with carriers which would perform specified functions with respect to administration of all benefits under part B of the new title.

The Senate amendment authorized the Secretary to enter into such contracts with carriers (including carriers which are agencies or organizations with which agreements for administration of part A benefits are in effect), and, with respect to functions which involve payments for physicians' services, the Secretary was required, to the extent possible, to enter into such contracts.

The House recedes.

#### REASONABLE CHARGES UNDER THE SUPPLEMENTARY INSURANCE PROGRAM

Amendment No. 128: The Senate amendment added to section 1842(b) (3) of the new title XVIII a sentence expressly requiring that, in the determination of reasonable charges for covered services under part B of the new title, consideration be given to the customary charges generally made by the physician or other person for furnishing

such services as well as the prevailing charges in the locality for similar services.

The House recedes.

#### STATE AGREEMENTS FOR ENROLLMENT UNDER SUPPLEMENTARY INSURANCE PROGRAM OF AGED RECIPIENTS OF CASH PUBLIC ASSISTANCE

Amendments Nos. 130, 131, 132, and 134: The House bill provided that States could, before July 1, 1967, agree with the Secretary to enroll their aged public assistance recipients (those receiving money payments) in the supplemental medical insurance program under part B of title XVIII. The States would pay the premiums for these recipients.

The Senate amendments extended the period during which such agreements could be made to January 1, 1968.

The House recedes.

#### TIME OF APPROPRIATION TO SUPPLEMENTARY INSURANCE TRUST FUND FOR CONTINGENCY RESERVE

Amendments Nos. 137 and 138: The Senate amendment modified section 1844(b) of the new title XVIII to remove the requirement that appropriation of funds to the supplementary medical insurance trust fund for the contingency reserve be made during fiscal year 1966 and to provide that an appropriation so made would remain available through calendar year 1968.

Under the conference agreement, the authorization of appropriations is not limited to the fiscal year 1966, and moneys appropriated pursuant to this authorization are to remain available through the calendar year 1967.

#### DENTAL INTERNS

Amendment No. 143: The Senate amended the definition, in the new section 1861(b) of the Social Security Act, of the inpatient hospital services to be paid for under the hospital insurance program by adding the services of dental interns and residents-in-training who are under a teaching program approved by the Council on Dental Education of the American Dental Association.

The House recedes.

#### INDIVIDUAL NOT CONSIDERED DISCHARGED FROM EXTENDED CARE FACILITY IF ADMITTED TO SAME OR ANOTHER FACILITY WITHIN 14 DAYS

Amendment No. 156: Under the House bill, section 1861(i) of the new title XVIII provided that, for purposes of determining whether an extended care facility patient meets the requirement of transfer from a hospital, an individual would not be considered to have been discharged from an extended care facility if he is readmitted to the same facility within 14 days.

The Senate amendment modified this provision so as to provide that an individual would not be considered to have been discharged from an extended care facility if within 14 days he is admitted to the same or any other extended care facility.

The House recedes with technical amendments.

#### CHRISTIAN SCIENCE NURSING HOMES

Amendment No. 159: The Senate amendment added to the new section 1861(j) of the Social Security Act a provision which would have included Christian Science nursing homes within the term "extended care facility." Payments to such nursing homes would have been subject to regulations of the Secretary.

The conference agreement deletes this provision and provides instead that Christian Science sanatoriums would be included within the definition of an extended care facility. Payment for posthospital extended care services in such facilities would be subject to special limitations, to be prescribed in regulations; services in such facilities would be covered as posthospital extended care services only if the individual elected to have them so covered; payment for posthospital extended care services would be made with

respect to services furnished any individual in either Christian Science sanatoriums or in regular extended care facilities, but not in both, during the same spell of illness; payment would be made for up to 30 days only in each spell of illness (instead of the 100 days applicable with respect to extended care services generally) and payment for each day of such services (instead of each day after the 20th day) would be reduced by a coinsurance amount equal to one-eighth of the inpatient hospital deductible (a \$5 reduction initially).

#### HOSPITAL-EXTENDED CARE FACILITY TRANSFER ARRANGEMENTS

Amendment No. 160: The Home bill provided, in section 1861(1) of the new title XVIII, that an extended care facility may be deemed to have a transfer agreement in effect with a hospital under certain circumstances if the facility has attempted to enter into such an agreement with a hospital near the facility. The Senate amended this provision to make it clear that the facility may be deemed to have a transfer agreement in effect whether or not the hospital with which it has attempted to make the agreement is within the State or otherwise.

The conference agreement omits this clarification since under the House bill there was no requirement that the hospital be in the same State as the extended care facility.

#### DEFINITION OF HOME HEALTH AGENCY

Amendment No. 162: The House bill excluded organizations primarily for psychiatric care from the definition of "home health agency" in the section of the new title XVIII designated 1861(o) in the House bill and 1861(n) in the Senate bill.

The amendment added by the Senate removed that exclusion and added a provision including a Christian Science visiting nurse service within the meaning of the term "home health agency."

The Senate recedes.

#### DEFINITION OF PHYSICIAN

Amendments Nos. 163 and 164: The Senate amendments modified the definition of "physician" (in the new section of the Social Security Act designated as sec. 1861(r) in the House bill and 1861(q) in the Senate amendments) to mean (1) a doctor of medicine or osteopathy legally authorized to practice medicine and surgery (including osteopathy); and (2) a doctor of dentistry or of dental or oral surgery who is legally authorized to practice dentistry, but only with respect to surgery related to the jaw or the reduction of any fracture of the jaw or any facial bone.

The House recedes.

#### COVERAGE OF SERVICES INCIDENTAL TO PHYSICIANS' SERVICES

Amendment No. 167: The Senate amendment added to the definition of covered medical and other health services in section 1861(s) of the new title XVIII (redesignated as sec. 1861(r) by the Senate amendments) certain services and supplies incidental to physicians' services.

The House recedes.

#### DELETION OF SPECIFICATION OF SOME DIAGNOSTIC TESTS

Amendment No. 169: This amendment deleted reference to some specific diagnostic tests covered under the supplementary medical insurance program since they are included under the more general phrase "other diagnostic tests."

The House recedes with a clarifying amendment.

#### STANDARDS FOR INDEPENDENT LABORATORIES PERFORMING DIAGNOSTIC TESTS UNDER SUPPLEMENTARY PROGRAM

Amendment No. 176: This amendment added to section 1861(s) of the House bill new paragraphs (10) and (11) providing that diagnostic tests performed in a laboratory

which is independent of a physician's office or of a hospital would be covered under the supplementary program only if the laboratory is licensed under applicable State or local law or meets standards for such licensing and only if it meets such other requirements relating to the health and safety of individuals with respect to whom tests are performed as the Secretary of Health, Education, and Welfare finds necessary.

The House recedes.

**INCLUSION OF HOMEOPATHIC PHARMACOPOEIA AND DRUGS APPROVED BUT NOT LISTED IN APPROVED FORMULARIES**

Amendment Nos. 178 and 180: These amendments modified the definition of drugs and biologicals for which payment would be made under the hospital insurance program by adding the United States Homeopathic Pharmacopoeia to the list of drug formularies to be used and by specifying that drugs approved for listing in the approved formularies, although not actually listed, would be included.

The House recedes.

**COMBINATIONS OF DRUGS OR BIOLOGICALS**

Amendment No. 181: This amendment added to section 1861(t) of the House bill a new clause expressly providing that combination drugs would be included in the definition of drugs and biologicals for which payment could be made where the principal ingredient, or ingredients, are listed in the formularies specified in the bill.

The Senate recedes.

**HOSPITAL-COMMITTEE APPROVED DRUGS**

Amendment No. 182: The House bill provided, in section 1861(t) in the new title XVIII (redesignated as sec. 1861(s) by the Senate), that the definition of the drugs and biologicals for which payment could be made under part A of title XVIII would include drugs and biologicals approved by the pharmacy and drug therapeutics committee (or equivalent committee) of the hospital furnishing such drugs and biologicals. The Senate amendment added the requirement that such drugs and biologicals must be approved by such committee for use in such hospital.

The House recedes with a clerical amendment. Under the conference agreement, the hospital committee may approve a drug or biological either for general use in the hospital or for a particular patient or group of patients therein.

**ROUTINE DENTAL CARE**

Amendment No. 191: The Senate amendment added to section 1862 of the new title XVIII an exclusion from coverage under the hospital insurance and medical insurance programs of expenses for services in connection with the care, treatment, filling, removal, or replacement of teeth or structures directly supporting the teeth.

The House recedes.

**HEALTH AND SAFETY REQUIREMENTS**

Amendments Nos. 192 and 193: The House bill provided, in section 1863 of the new title XVIII, that conditions for the participation of institutions and agencies relating to health and safety may, at the request of a State, be higher for that State than for other States; in the case of hospitals, the higher requirements could not have been higher than the comparable standards set by the Joint Commission on Accreditation of Hospitals.

The Senate amendment deleted the reference to this limitation (to standards set by the Joint Commission) from the provisions authorizing use of higher health and safety requirements for institutions at the request of a State and further required the Secretary of Health, Education, and Welfare to impose health and safety requirements for institutions in a State (or political subdivision of a State) higher than those of the Joint Commission if the State (or subdivision) im-

posed such higher requirements as a condition to the purchase of services in such institutions under a State medical assistance plan.

The House recedes with technical conforming amendments and an amendment requiring the imposition of such higher requirements as a condition to the payment for only certain specified services if the State (or subdivision) imposes them as a condition to the purchase of such specified services under such a State medical assistance plan.

**CERTIFICATION OF INSTITUTIONS AND AGENCIES BY STATE AGENCIES**

Amendment No. 195: Section 1864(a) of the House bill provided that, where a State (or local) agency with which the Secretary of Health, Education, and Welfare had an agreement for the purpose of determining which institutions and agencies qualify to participate in the programs under title XVIII, the Secretary could accept such agency's certification that an institution or agency is a provider of services.

Under the Senate amendment, the Secretary would be required to accept the certification by a State agency that an institution or agency is a provider of services unless he determined that the institution or agency was so inadequate as to endanger the life or health of the patients.

The Senate recedes.

**MINIMUM APPEALS AMOUNT**

Amendment No. 203: Section 1869(b) of the House bill provided that any individual dissatisfied with any determination as to the amount of benefits under part A of the new title XVIII where the matter in controversy is \$1,000 or more would be entitled to a hearing thereon by the Secretary of Health, Education, and Welfare and to judicial review of the Secretary's final decision.

Under the Senate amendment such an individual would be entitled to a hearing and to judicial review where the amount in controversy is \$100 or more.

Under the conference agreement, an individual would be entitled to a hearing by the Secretary when the amount in controversy is \$100 or more and would be entitled to judicial review of the Secretary's final decision where the amount in controversy is \$1,000 or more. The provisions of section 205 of the Social Security Act and of the Administrative Procedure Act would apply to the administrative and judicial review provided for in the new section 1869(b) to the same extent as they now apply to the appellate procedures for cash benefits under existing law.

**OVERPAYMENTS ON BEHALF OF INDIVIDUALS**

Amendment No. 205: Section 1870 of the House bill provided that, where an overpayment under part A or B of title XVIII was made and could not be recouped, subsequent cash social security benefits or railroad retirement benefits payable to the individual (or, if such individual dies, benefits payable to others based on his earnings), would be reduced in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare, after consultation with the Railroad Retirement Board.

Under the Senate amendment, section 1870 provided that, where the Secretary found that an overpayment under part A or B of title XVIII was made and could not be recouped, proper adjustment or recovery would be made under regulations prescribed by the Secretary after consultation with the Railroad Retirement Board. The Secretary would make the proper adjustment or recovery by (a) decreasing any payment under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as the case may be, to which such individual is entitled; or (b) requiring such individual or his estate to refund the amount in excess of the correct amount; or (c) decreasing any payment

under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as the case may be, payable to the estate of such individual or to any other person on the basis of the wages and self-employment income (or compensation) which were the basis of the payments to such individual; or (d) by applying any combination of the foregoing.

The conference agreement contains the House provision with technical changes.

**STUDY OF FEASIBILITY OF DRUG COVERAGE**

Amendment No. 210: This amendment added to the new section 1875 of the Social Security Act a provision requiring the Secretary of Health, Education, and Welfare to study the feasibility of covering prescription drugs under part B of the new title XVIII and to report his findings to the Congress on or before June 30, 1966.

The Senate recedes.

**ADVANCE FILING UNDER TRANSITIONAL PROVISION**

Amendment No. 217: The House bill provided that an application to establish hospital insurance eligibility under section 103 of the bill would not be valid if filed before the first month in which the uninsured individual meets the various eligibility requirements.

The Senate amendment permits filing as early as the third month preceding that month.

The House recedes.

**EXCLUSION OF PERSONS COVERED UNDER THE FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959**

Amendment No. 219: The House bill excluded from hospital insurance protection under section 103 of the bill those uninsured persons who are or could have been covered under the Federal Employees Health Benefits Act of 1959.

The Senate amendment modified this exclusion so that it would apply only to individuals who actually are enrolled under that act.

The conference agreement excludes an individual who (1) at the beginning of the first month in which he meets the requirements of section 103(a) of the bill, is covered by an enrollment in a plan under the Federal Employees Health Benefits Act of 1959; (2) was so covered on February 16, 1965; or (3) could have been so covered for such first month if he or some other person had availed himself of opportunities to enroll or continue enrollment (but this last of the three grounds for exclusion would apply only if the individual or such other person was a Federal employee after February 15, 1965). The above three grounds for exclusion would not apply with respect to any month for which an individual is not covered under such a health benefits plan because he or another person separated from Federal service was not eligible to continue such coverage after separation.

It is hoped that the comprehensive study of retirement provisions for Federal personnel which the executive branch has initiated will include a reexamination of existing health insurance programs for Federal personnel in the light of the hospital insurance and supplementary medical insurance programs established by this bill.

**TIME FOR REIMBURSEMENT OF HOSPITAL INSURANCE TRUST FUND FOR PAYMENTS TO THE UNINSURED**

Amendments Nos. 220, 221, 222, and 223: The Senate amendments provided that the amounts to be paid under section 103 of the bill from the general fund to the Federal hospital insurance trust fund for uninsured persons for a fiscal year could be appropriated at the beginning of that year.

The House recedes.

## MEDICAL EXPENSE DEDUCTION

Amendment No. 227: Under existing law, taxpayers generally may deduct expenses for medical care only to the extent that they exceed 3 percent of adjusted gross income. Also, in the case of medicine and drugs, taxpayers generally may take into account only the aggregate of the amounts paid in excess of 1 percent of adjusted gross income. However, the 3- and 1-percent limitations are not applicable in the case of expenses paid (1) for the care of the taxpayer and his spouse if either has attained age 65 before the close of the taxable year; or (2) for the care of a dependent mother or father of the taxpayer or his spouse, if such mother or father has attained age 65 before the close of the taxable year. Under the House bill, the 3- and 1-percent limitations apply without regard to age, but an amount (not in excess of \$250) equal to one-half of the expenses for insurance which constitutes medical care may be deducted without regard to the 3-percent limitation. Senate amendment No. 227 struck out these provisions of the House bill.

Under the conference agreement, the 3- and 1-percent limitations will apply without regard to age and an amount (not in excess of \$150) equal to one-half of the expenses for insurance which constitutes medical care may be deducted without regard to the 3-percent limitation.

Amendments Nos. 232 and 233: The bill, as passed by the House, provides, in effect, in the case of an insurance contract under which amounts are payable for other than medical care, that no amount may be taken into account as a medical expense unless the charge is separately stated in the insurance contract. Under the Senate amendments the charge may alternatively be furnished in a separate statement.

The House recedes.

Amendment No. 234: Under existing law, the deduction for medical expenses is limited to \$10,000 (or \$20,000 in case of joint returns, etc.), except that special maximum limitations apply if the taxpayer or his spouse (\$20,000), or both the taxpayer and his spouse (\$40,000), are 65 and disabled. Under the House bill the special limitations would apply without regard to age. Under the Senate amendment all maximum limitations are repealed.

The House recedes with technical amendments. The conferees on the part of the House, in accepting this amendment, recognize that the removal of the ceiling on medical expense deductions, while generally desirable, may raise problems in connection with amounts claimed as medical expense deductions for facilities, devices, services, and transportation which are of the types customarily used, or taken, primarily for other than medical purposes. In some cases, for example, taxpayers have been able to sustain claims for medical deductions for part or all of the costs of installing swimming pools in their yards, air-conditioning systems in their homes, and transportation expenses which may be relatively extensive. Removing the ceiling on medical expense deduction may increase the aggregate amount claimed for deductions of these types. Therefore, the conferees, both on the part of the House and on the part of the Senate, in removing the ceiling on medical expense deductions recognize the desirability of considering legislation dealing with the definition of allowable medical expense deductions.

## NURSING HOME STUDY

Amendments Nos. 240 and 247: The Senate amendments added a provision to section 109 of the bill requiring the Secretary of Health, Education, and Welfare to appoint an Advisory Council on Social Security to study nursing homes and other extended care facilities. The Council would, within 1 year after enactment of the bill, submit

its report with recommendations regarding the action necessary to make maximum use of extended care facilities to provide high quality care under the hospital insurance program.

The Senate recedes.

## HOSPITAL INSURANCE FOR RAILROAD BENEFICIARIES

Amendment No. 248: The House bill, through various amendments to the Railroad Retirement Act of 1937, the Railroad Retirement Tax Act, the Federal Insurance Contributions Act, and the Social Security Act, provided health insurance benefits for railroad beneficiaries under the social security program, with hospital insurance taxes imposed under the Federal Insurance Contributions Act.

Senate amendment No. 248 added to the House bill a new section (sec. 111), which, subject to an effective date proviso, provided for imposing hospital insurance taxes on railroad employment under the Railroad Retirement Tax Act, with exchanges of funds with respect to hospital insurance benefits for railroad beneficiaries to be made through financial interchange provisions comparable to those which now apply to old-age, survivors, and disability insurance benefits. The Senate amendment would authorize the Railroad Retirement Board to make determinations as to the rights of railroad retirement beneficiaries to hospital insurance benefits, and to enter into agreements with Canadian hospitals and with hospitals devoted primarily to railroad employees for the purpose of providing hospital insurance benefits for railroad retirement beneficiaries. The Senate amendment would become effective only after the enactment of amendments to the Railroad Retirement Tax Act increasing the maximum amount of monthly compensation taxable under that act to an amount equal to or in excess of one-twelfth of the maximum annual earnings creditable under the hospital insurance program. The House recedes with an amendment.

The conference agreement would delete the provisions in the Senate amendment giving the Railroad Retirement Board authority to enter into agreements with railroad hospitals, and providing for payments to suppliers of services from the railroad retirement account. Under the conference agreement, the Railroad Retirement Board would, as under the Senate amendment, make determinations as to the right of railroad retirement beneficiaries to hospital insurance benefits, but the administration of the benefits provided would be under the social security program. Under the conference agreement the contributions for hospital insurance for railroad workers would be collected in combination with the railroad retirement contributions on the railroad retirement tax base, and the amount of the contributions on the social security base would be transferred from the railroad retirement account to the hospital insurance trust fund through the financial interchange provisions. The effective date provisions of the Senate amendment would be changed so that the provisions of the bill as passed by the House would be effective for any year during which the railroad retirement taxable wage base (on an annual basis) is different from that of social security.

ADDITIONAL UNDER SECRETARY AND TWO ADDITIONAL ASSISTANT SECRETARIES OF HEALTH, EDUCATION, AND WELFARE

Amendment No. 249: The Senate amendment added to the House bill a new section (sec. 112) providing for an additional Under Secretary of Health, Education, and Welfare and two additional Assistant Secretaries of Health, Education, and Welfare. The House bill contained no such provision.

The Senate recedes.

## REQUIREMENT OF STATE FUNDS TO MEET NON-FEDERAL SHARE OF MEDICAL ASSISTANCE EXPENDITURES

Amendment No. 250: Under the House bill the new title XIX of the Social Security Act required (effective July 1, 1970) a State plan for medical assistance to provide that all of the non-Federal funds under it shall be from State, rather than from State and local sources.

The Senate amendment provided as an alternative that, if a State, on an equalization or other basis, could assure that lack of adequate funds from local sources would not result in lowering the amount, duration, scope, or quality of care and services available under the plan, local funds could continue to be utilized to meet the non-Federal share of expenditures under the plan.

The House recedes.

## NATURE OF STATE AGENCY REQUIRED TO ADMINISTER STATE MEDICAL ASSISTANCE PROGRAM

Amendment No. 251: Under the House bill, the new title XIX of the Social Security Act provided that an approved program of medical assistance would have to be administered (or its administration supervised) by the State agency responsible for the administration of title I or title XVI (insofar as it relates to the aged) of the Social Security Act.

Senate amendment No. 251 permitted the establishment or designation of any single State agency to administer or supervise the administration of the plan, but required that the determination of eligibility for medical assistance under the plan be made by the State or local agency responsible for administering the State plan approved under such title I or XVI.

The House recedes.

## REQUIRED HEALTH AND SAFETY STANDARDS

Amendment No. 254: This amendment added to the House bill a requirement that after June 30, 1967, the requirements and standards established by States under the medical assistance program under the new title XIX must include any requirements contained in standards established by the Secretary relating to protection against fire and other hazards to the health and safety of individuals in public or private institutions.

The House bill contained no comparable provision.

The Senate recedes.

## SPECIAL REQUIREMENTS RELATING TO ASSISTANCE FOR RECIPIENTS IN MENTAL OR TUBERCULOSIS INSTITUTIONS

Amendments Nos. 262, 263, 271, 298, 299, 300, 302, 303, and 304: The House bill imposed certain special requirements for State medical assistance and other Federal-State public assistance programs if the State chooses to include persons aged 65 or over who are patients in hospitals for mental disease or tuberculosis.

Under the Senate amendments, these special provisions applied only in the case of patients in hospitals for mental diseases.

The House recedes.

## STANDARDS TO ASSURE HIGH QUALITY OF MEDICAL ASSISTANCE

Amendment No. 266: This amendment required that approved State plans for medical assistance describe the various standards, methods, and arrangements the State expects to use to assure that medical or remedial care provided to recipients of medical assistance is of high quality. The House bill contained no comparable provision.

The House recedes.

## FREEDOM TO CHOOSE AGENCY OR PERSON PROVIDING MEDICAL SERVICES

Amendment No. 267: This amendment provided that an individual entitled to medical assistance under an approved State plan

(under the new title XIX) might obtain such assistance from any institution, agency, or person qualified to perform the service or services required. The House bill contained no comparable provision.

The Senate recedes.

#### FEDERAL SHARE OF TRAINING EXPENDITURES

Amendment No. 270: The House bill provided 75 percent Federal participation in expenditures, under an approved State plan for medical assistance, which are attributable to compensation of skilled, professional medical personnel, and staff directly supporting such personnel.

Senate amendment No. 270 provided the same Federal share of expenditures for the training of such personnel.

The House recedes.

#### EXTENSION OF STATE MEDICAL ASSISTANCE PLANS

Amendment No. 272: The House bill contained a provision requiring approved State plans for medical assistance to show that they were being expanded with a view toward furnishing, by July 1, 1975, comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources.

A Senate amendment changed this date to approximately 10 years following the taking effect of the State plan.

The Senate recedes.

#### MEDICAL ASSISTANCE FOR MEDICALLY NEEDY FAMILIES

Amendments Nos. 273 and 274: The House bill included among those eligible for medical assistance under the State plans approved under the new title XIX all children and their relatives responsible for their care who would, if needy, be eligible for aid to families with dependent children (i.e., families in which children are deprived of parental support by reason of the death, absence, incapacity, or unemployment of a parent). Senate amendments Nos. 273 and 274 expanded the definition of eligible persons to include all medically needy children and relatives responsible for their care.

The House recedes with an amendment to include all such children, but limiting the eligibility of relatives to those in families which would, if needy, be eligible for aid to families with dependent children.

#### NURSING HOME SERVICES AND DENTAL SERVICES

Amendments Nos. 276 and 277: Under the House bill, an approved State plan was required to include skilled nursing home services for all individuals eligible for medical assistance. Dental services could be provided, with Federal financial aid, if the States wished.

The Senate amendments included skilled nursing home services as a required service for individuals aged 21 or over, and dental services as a required service for individuals under age 21. They made skilled nursing home services and dental services for individuals of other ages optional.

Under the conference agreement skilled nursing home services would be required for individuals aged 21 or over, but dental services would be optional with the States for persons of all ages.

#### TERMINATION OF FEDERAL FUNDS FOR MEDICAL CARE UNDER EXISTING PUBLIC ASSISTANCE PROGRAMS

Amendment No. 281: The House bill terminated Federal sharing in aid or assistance in the form of medical or any other type of remedial care under titles I, IV, X, XIV, and XVI of the Social Security Act with respect to any period after June 30, 1967.

Senate amendment No. 281 continued authorization under the other public assistance titles indefinitely.

The House recedes with an amendment establishing the termination date of Federal

financial participation in such aid or assistance under the other titles as December 31, 1969.

#### EFFECT UNDER OTHER PUBLIC ASSISTANCE PROGRAMS OF DISREGARD OF INCOME UNDER ANY SUCH PROGRAM

Amendment No. 282: A provision of the House bill required that any income which is disregarded or set aside under any other public assistance title must also be disregarded under title XIX (a comparable provision under existing law applies to title X of the Social Security Act).

The Senate amendment extended this principle to all of the public assistance titles.

The House recedes.

#### NOTICE CONCERNING BENEFITS PROVIDED UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT

Amendment No. 285: This amendment added a new section 123 to the bill to require the Secretary of Health, Education, and Welfare, before July 1, 1966, to provide personal notice containing specified information relating to benefits under the new title XVIII of the Social Security Act to individuals who the Secretary has reason to believe will be entitled to benefits under part A of the new title XVIII.

The Senate recedes. It is the understanding of the conferees, on the part of both the House and the Senate, that the appropriate officers and employees of the Social Security Administration will take all feasible steps to give full information, by personal notice and by other means, with respect to the hospital insurance program to individuals who will be eligible for the benefits of such program when it goes into effect or who thereafter become eligible for such benefits.

#### PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN (INCLUDING THE EMOTIONALLY DISTURBED)

Amendments Nos. 288, 289, 290, and 293: The House bill amended title V of the Social Security Act by adding a new section 532 authorizing a 5-year program of project grants to promote the health of children of school age or preschool age.

The Senate amendments increased the appropriation authorizations for fiscal years 1968, 1969, and 1970 by \$5 million each and added a specific authorization for project grants for the identification, care, and treatment of emotionally disturbed children.

The Senate recedes.

#### APPROPRIATION AUTHORIZATIONS FOR CHILD WELFARE SERVICES

Amendment No. 295: This amendment increased the authorization for child welfare services to the same levels provided in the House bill for maternal and child health and crippled children's services. No provision was included in the House bill.

The House recedes with technical amendments.

#### DAY CARE SERVICES IN CHILD WELFARE SERVICES PROGRAM

Amendment No. 296: This amendment repealed the provisions in title V of the Social Security Act which earmark, for day care services, up to \$10 million per year of the appropriation for child welfare services.

The House bill did not deal with these existing provisions of the Social Security Act.

The House recedes, but with an amendment postponing the effective date of the repeal to January 1, 1966.

#### HEALTH STUDY OF RESOURCES RELATING TO CHILDREN'S EMOTIONAL ILLNESS

Amendment No. 305: This amendment authorized \$500,000 each for fiscal years 1966 and 1967 for grants for a program to study our resources for finding, preventing, and treating children's emotional illness. No comparable provision was contained in the House bill.

The House recedes.

#### BENEFIT AMOUNTS

Amendments Nos. 306 and 309: Section 301(a) of the House bill amended section 215(a) of the Social Security Act to provide a new benefit table for determining primary insurance amounts and maximum family benefits, based on the \$5,600 contribution and benefit base scheduled by the House bill to be effective for the years 1966 through 1970. Section 301(f) of the House bill revised and extended the benefit table, effective with monthly benefits payable for months after 1970, to take account of the \$6,600 annual contribution and benefit base that the House bill would make effective for years after 1970.

To take account of the fact that the Senate amendments provide for the \$6,600 contribution and benefit base to be effective for years after 1965, Senate amendment No. 306 substituted for the benefit table in section 301(a) of the House bill a new table corresponding to the table in section 301(f) of the House bill. Senate amendment No. 309 deleted section 301(f) of the House bill.

The House recedes.

#### DISABILITY INSURANCE BENEFITS

Amendment No. 312: Under existing law, the term "disability" is defined as inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. The bill as passed by the House struck out the requirement that the individual's impairment be one which can be expected to result in death or to be of long-continued and indefinite duration. The effect, in general, would be to take an impairment into account for disability freeze and disability insurance benefit purposes if the period of disability included 6 consecutive calendar months.

Under Senate amendment No. 312, the impairment must be one which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

The House recedes with a technical amendment.

Amendment No. 313: Under existing law (sec. 216(1)(2)) a period of disability ends with the second month after the month in which the disability ceases. Under the bill as passed by the House, if the individual was under a disability for a continuous period of less than 18 calendar months the period of disability would end with the first month after the disability ceased.

Senator amendment No. 313 would in effect retain the rule of existing law.

The House recedes.

Amendments Nos. 316 and 317: Under existing law, an individual's entitlement to disability insurance benefits (in general) begins with the first month after his 6-month waiting period and ends with the second month following the month in which his disability ceases. Under the bill as passed by the House benefits would (in general) begin with the last month of the waiting period and end as provided by existing law except they would end with the first month following such cessation if the individual was under a disability for a continuous period of less than 18 calendar months.

Under Senate amendments Nos. 316 and 317 the rule of existing law as to the period of entitlement to benefits would be retained. Under both the bill as passed by the House and the Senate amendments the requirement that the application be filed while under a disability is eliminated.

The House recedes on Senate amendment No. 316 with a technical amendment, and recedes on Senate amendment No. 317.

**SIMULTANEOUS ENTITLEMENT TO A DISABILITY INSURANCE BENEFIT AND AN OLD-AGE INSURANCE BENEFIT**

Amendment No. 325: Section 304(a) of the House bill provided that where a worker is simultaneously entitled to an old-age insurance benefit and a disability insurance benefit, only the disability insurance benefit would be payable.

The Senate amendment provides that where a worker is entitled for any month to both a disability insurance benefit and an old-age insurance benefit he is to receive the larger benefit, unless he elects to receive the smaller benefit.

The House recedes.

**DISABILITY INSURANCE TRUST FUND**

Amendments Nos. 329 and 330: The House bill allocated to the Federal disability insurance trust fund three-fourths of 1 percent (0.75 percent) of taxable wages and nine-sixteenths of 1 percent (0.5625 percent) of taxable self-employment income (0.50 percent of wages and 0.375 percent of self-employment income in existing law) to meet the cost of the disability provisions of existing law and the amendments to these provisions made by the House bill.

The Senate amendment allocated to the disability insurance trust fund 0.76 percent of taxable wages and 0.57 percent of taxable self-employment income to meet the cost of the disability program as amended by the Senate bill.

The conference agreement allocates to the Federal Disability Insurance Trust Fund 0.70 percent of taxable wages and 0.525 percent of taxable self-employment income to meet the cost of the disability program under the conference agreement.

**CHILDHOOD DISABILITY BENEFITS**

Amendments Nos. 332, 333, and 346: Section 306 of the House bill, relating to the payment of child's insurance benefits to children age 18 through 21 attending school, made no change (other than changes conforming to the changes in the disability provisions under sec. 303 of the House bill) in the provision for paying child's insurance benefits after age 18 to an individual whose disability began before age 18.

The Senate amendment modified section 306 by removing the changes conforming to the section to the disability provisions in the House bill and adding a provision permitting a child disabled before age 22 (rather than before age 18) to be entitled to a child's insurance benefit should his parent retire, die, or become disabled.

Under the conference agreement, the disability must have begun before age 18.

**RESTORATION OF BENEFIT RIGHTS AFTER REMARRIAGE**

Amendments Nos. 352, 353, 355, 357, 358, 360, and 361: Section 308 of the House bill, relating to the payment of wife's or widow's benefits to divorced women, provided for reinstating widow's and mother's insurance benefits (and, in the case of a divorced wife, wife's insurance benefits) in cases where such benefits had terminated on account of remarriage but the remarriage ended in divorce after less than 20 years. (There are comparable provisions in the present social security law for reinstating benefits after a remarriage that ends in the death of the husband after less than 1 year.)

The Senate amendments provided that widow's and mother's insurance benefits (and, in the case of a divorced wife, wife's insurance benefits) would be payable to women who are not married, regardless of any intervening marriage that has ended.

The House recedes.

**LIBERALIZATION IN THE RETIREMENT TEST**

Amendment No. 362: Section 310 of the House bill amended section 203(f) of the Social Security Act to provide that if a beneficiary earns more than \$1,200 in a year, \$1 in

benefits would be withheld for each \$2 of earnings between \$1,200 and \$2,400 (rather than between \$1,200 and \$1,700 as under existing law), and \$1 in benefits would be withheld for each \$1 of earnings above \$2,400. As under existing law, no benefit would be withheld for any month in which the beneficiary earns \$100 or less in wages and does not engage in self-employment.

The Senate amendment changed section 310 of the bill so that it amends sections 203(f) and 203(h) of the Social Security Act to provide (1) that the amount of yearly earnings which a beneficiary can have and still get all of his benefits for the year would be increased from \$1,200 to \$1,800; (2) that \$1 in benefits would be withheld for each \$2 of earnings between \$1,800 and \$3,000 and for each \$1 of earnings thereafter; and (3) that no benefit would be withheld for any month in which the beneficiary earns \$150 or less in wages and does not engage in self-employment.

The House recedes with an amendment which provides (1) that the amount of yearly earnings which a beneficiary can have without having any benefits withheld will be increased to \$1,500; (2) that \$1 in benefits will be withheld for each \$2 of earnings between \$1,500 and \$2,700 and for each \$1 of earnings thereafter; and (3) that no benefit will be withheld for any month in which the beneficiary earns \$125 or less in wages and does not engage in self-employment.

**COVERAGE FOR DOCTORS OF MEDICINE**

Amendment No. 363: Section 311 of the House bill amended section 211(c) of the Social Security Act and section 1402(c) of the Internal Revenue Code of 1954 so as to extend coverage under social security to earnings derived by self-employed doctors from the practice of medicine, effective for taxable years ending after December 31, 1965.

Under the Senate amendment, coverage for self-employed doctors of medicine would begin with taxable years ending on or after December 31, 1965.

The House recedes.

**COVERAGE OF TIPS**

Amendment No. 364: Section 313 of the bill as passed by the House amended both the Social Security Act and the Internal Revenue Code of 1954 to extend social security coverage with respect to tips received by employees. In addition, the bill as passed by the House required employers to withhold the income tax attributable to tips from wage payments to employees.

In extending social security coverage with respect to tips, the House bill provided a method for the collection of the Federal Insurance Contribution Act taxes imposed by sections 3101 and 3111 of the Internal Revenue Code. Under this method, an employee who received tips would be required to report the amount thereof to his employer periodically and the employer with certain limitations would be made liable for the taxes imposed by sections 3101 and 3111 of the code with respect to tips so reported. One such limitation was a provision limiting the employer's liability for the taxes imposed by section 3101 of the code (the employee taxes) to amounts which could be collected by deducting the taxes from wages (other than tips) of the employee and from funds which the employee would have been required to turn over to his employer for this purpose. The wages other than tips from which an employer would have been required to deduct the taxes were limited to those which were under his control from the date on which he received an employee's report of the tips up to the 10th day of the month following the month in which the report was so received. If, without reasonable cause, the employee failed to report tips to his employer as required, or failed to turn over to the employer funds in an amount sufficient to permit the employer to withhold the taxes imposed by

section 3101, the employee, in addition to the tax which the employer could not withhold because of such failure, would become liable for a penalty equal to 100 percent of the amount of such tax.

Under the bill as passed by the House, the income tax attributable to tips would be withheld (in much the same manner as the employee social security taxes) by the employer by deducting the tax from wages (other than tips) paid to the employee on the basis of the periodic statement of tips the employee would be required to furnish his employer.

Senate amendment No. 364 substituted for the provisions of section 313 of the bill as passed by the House provisions treating tips received by employees as self-employment income (taxable under ch. 2 of the Internal Revenue Code).

Under the conference agreement, as in the bill as passed by the House, social security coverage is extended with respect to tips by adding a new paragraph at the end of section 209 of the Social Security Act and a new subsection (q) to section 3121 of the Internal Revenue Code to provide that tips received by an employee in the course of his employment are to be considered remuneration for employment for social security purposes and are to be deemed paid to the employee at the time reported to his employer pursuant to 6053(a) of the Internal Revenue Code (added by sec. 313(e)(2) of the bill). The new subsection (q) of section 3121 of the Internal Revenue Code does not apply for purposes of the taxes imposed on employers by section 3111 of the code. Thus, tips are not considered as remuneration for employment for purposes of the employer taxes imposed by section 3111 of the code. The effect of this limitation is to prevent the imposition of the employer taxes with respect to tips received by employees (and the amounts transferred to the Federal old-age and survivors insurance trust fund, the Federal disability insurance trust fund, and the Federal hospital insurance trust fund in respect to the taxes imposed by sections 3101 and 3111 of the code will be determined by taking this limitation into account). An additional effect of such limitation is to exclude tips from the computation of the \$6,600 limitation in the definition of the term "wages" contained in section 3121(a)(1) of the code for purposes of section 3111 of the code, although tips are included in computing such \$6,600 limitation for purposes of section 3101 of the code. The determination of the existence of an employee-employer relationship with respect to any tip recipient is to be made in accordance with existing law and nothing contained in section 313 of the bill is intended to bear on such determination. Under the conference agreement, the provisions of section 313 of the bill are to apply with respect to all tips received by employees after 1965 including those which under existing law would have been covered for social security tax purposes by reason of being accounted for by the employee to the employer. The provisions of section 313 of the bill, of course, do not apply to amounts which, although denominated tips, constitute wages under present law irrespective of whether accounted for by the employee to his employer.

The bill as passed by the House added a new subsection (c) to section 3102 of the code. Paragraph (2) required an employee to turn over to his employer funds in an amount which, when added to the wages of the employee (other than tips) under the control of the employer would provide an amount from which the employer could deduct the employee taxes imposed by section 3101 of the code in respect of tips. Under the conference agreement the new section 3102(c)(2) is modified to provide that the employee may furnish such funds to his employer but is not required to do so.

The bill as passed by the House also added a new section 3102(c)(3) to the code which contained provisions permitting employers (when authorized to do so by regulations prescribed by the Secretary of the Treasury or his delegate) to deduct the tax imposed by section 3101 of the code in respect of tips from wages paid during a quarter of a calendar year on an estimated basis and to adjust the amount so deducted by making additional deductions from wages paid to the employee during the same quarter. Under the conference agreement the new section 3102(c)(3) is modified to permit the employer to make the required adjustment by deducting amounts from wages (not including tips) paid to the employee either during such calendar quarter or within 30 days after the end of such calendar quarter. The limitation on the liability of the employer for the taxes imposed by section 3101 contained in the new section 3102(c)(1) also is modified to conform to this 30-day extension of the period during which the employer is to deduct the tax.

Under the conference agreement a new section 3102(c)(4) is added to the code. Under this provision an employee is required to pay directly to the Internal Revenue Service that part of the taxes imposed by section 3101 in respect of tips which exceeds the portion of such tax which can be collected by the employer (from wages, including funds turned over by the employee) pursuant to the new section 3102(c). In such cases, the tax is to be collected from employees pursuant to regulations prescribed by the Secretary or his delegate under the general provisions of subtitle F of the Internal Revenue Code.

In order for the employee to be able to report and pay to the Internal Revenue Service the portion of the employee taxes which the employer is unable to withhold, the conference agreement (new sec. 6053(b) of the code) requires employers to furnish to their employees written statements showing the amount by which (A) the taxes imposed by section 3101 with respect to tips which were reported by the employees to the employer, exceeds (B) the taxes which the employer could collect from wages of the employee (other than tips) and from funds turned over to him by the employee. The statements are to be furnished at such time, contain such information, and be in such form as the Secretary or his delegate prescribes by regulations. In addition, the employer, when required by regulations so to do, is to furnish a duplicate of the statements to the Internal Revenue Service. Sections 6674 (fraudulent statement or failure to furnish statement to employee) and 6652 (b) (failure to file certain information returns) are amended to extend the penalties provided by such sections to the comparable failures in respect of the new statements.

The bill as passed by the House added a new section 6652(c) to the code. The effect of the new section was to provide a penalty for failure (other than for reasonable cause and not due to willful neglect) of an employee to report the receipt of tips to his employer as required by section 6053(a) of the code and to furnish to his employer funds in an amount sufficient to enable the employer to deduct the taxes imposed by section 3101 of the code. The penalty was to be an amount equal to 100 percent of the taxes the employer was unable to collect because of such failures by the employee. Under the conference agreement, the penalty is to be imposed only for failures of employees to report the receipt of tips to their employers as required under section 6053(a), and the amount of the penalty is to be an amount

equal to 50 percent of the taxes imposed by section 3101 of the code with respect to the tips the employee has so failed to report.

Under the conference agreement, as in the bill as passed by the House, the income tax attributable to tips is required to be withheld by employers. However, under the conference agreement, section 3402(h)(3) of the code is amended to permit the adjustment, required in the case of an employer who is using the average basis for withholding income tax at source during a calendar quarter, to be made with respect to the amount required to be deducted in respect of tips by making additional deductions during the 30 days following the close of the calendar quarter.

**INCLUSION OF ALASKA AMONG STATES PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS**

Amendment No. 366: Section 314 of the House bill amended section 218(d)(6)(C) of the Social Security Act to add Alaska and Kentucky to the list of States which are permitted to divide a retirement system into two parts for purposes of obtaining social security coverage for only those employees in the system who desire it.

The Senate amendment deleted the provision adding Kentucky to this list of States.

The House recedes.

**EMPLOYEES OF NONPROFIT ORGANIZATIONS**

Amendment Nos. 367 and 368: Section 316 of the House bill amended section 3121(k) of the Internal Revenue Code of 1954 so as to permit a nonprofit organization to file a waiver certificate and make it retroactive for up to 5 years (rather than 1 year under present law) before the quarter in which the certificate is filed. An organization filing a waiver certificate during or before the year of the enactment of the bill could amend the certificate to begin coverage as early as 5 years before the quarter in which the certificate is amended. In addition, the House bill amended section 105 of the Social Security Amendments of 1960 to provide that employees who were reported erroneously and who are no longer employed when the organization files its waiver certificate could validate such erroneous reportings.

Under Senate amendment No. 367, the amendment of a certificate to make it retroactive (or to provide increased retroactivity) would apply only to individuals who concur in the filing of the amendment. Senate amendment No. 368 added to section 316 of the House bill a new subsection (d) which would permit certain employees whose wages were erroneously reported by a nonprofit organization during the period the organization's waiver certificate was in effect to validate such erroneously reported wages.

The House recedes.

**CONTRIBUTION AND BENEFIT BASE**

Amendments Nos. 373, 374, 376, 378, 380, 381, 382, 383, 384, 385, 386, 387, 389, 391, 393, 394, 396, 397, 399, 400, 401, 402, 403, 404, 405, and 406: Section 320 of the House bill amended the Social Security Act to increase the earnings counted for benefit and tax purposes to \$5,600 beginning with 1966 and \$6,600 beginning with 1971.

Under the Senate amendments, the earnings counted for benefit and tax purposes would be increased to \$6,600 beginning with 1966.

The House recedes.

**CHANGES IN TAX SCHEDULES**

Amendments Nos. 407 through 449: The following table shows the tax schedule in the House bill and that in the Senate bill:

**Contribution rates for employees and employers each**  
[In percent]

Year	House bill			Senate bill		
	OASDI	HI	Total	OASDI	HI	Total
1966.....	4.0	0.35	4.35	3.85	0.325	4.175
1967-68....	4.0	.50	4.50	3.85	.50	4.35
1969-70....	4.4	.50	4.90	4.50	.50	5.00
1971-72....	4.4	.50	4.90	4.50	.55	5.05
1973-75....	4.8	.55	5.35	4.95	.65	5.60
1976-79....	4.8	.60	5.40	4.95	.70	5.65
1980-86....	4.8	.70	5.50	4.95	.80	5.75
1987 and after.....	4.8	.80	5.60	4.95	.85	5.80

**Contribution rates for the self-employed**  
[In percent]

Year	House bill			Senate bill		
	OASDI	HI	Total	OASDI	HI	Total
1966.....	6.0	0.35	6.35	5.8	0.325	6.125
1967-68....	6.0	.50	6.50	5.8	.50	6.30
1969-70....	6.6	.50	7.10	6.8	.50	7.30
1971-72....	6.6	.50	7.10	6.8	.55	7.35
1973-75....	7.0	.55	7.55	7.0	.65	7.65
1976-79....	7.0	.60	7.60	7.0	.70	7.70
1980-86....	7.0	.70	7.70	7.0	.80	7.80
1987 and after.....	7.0	.80	7.80	7.0	.85	7.85

The conference agreement provides the following tax schedule:

[In percent]

Year	Employers and employees, each			Self-employed		
	OASDI	HI	Total	OASDI	HI	Total
1966.....	3.85	0.35	4.20	5.8	0.35	6.15
1967-68....	3.90	.50	4.40	5.9	.50	6.40
1969-72....	4.40	.50	4.90	6.6	.50	7.10
1973-75....	4.85	.55	5.40	7.0	.55	7.55
1976-79....	4.85	.60	5.45	7.0	.60	7.60
1980-86....	4.85	.70	5.55	7.0	.70	7.70
1987 and after.....	4.85	.80	5.65	7.0	.80	7.80

**APPLICATIONS FOR BENEFITS**

Amendment 457: Existing law provides (in general) that applications filed more than 3 months before an individual becomes entitled to benefits are not to be treated as valid applications. The Senate amendments added a new section 328 to the House bill amending sections 202(j)(2), 216(1)(2), and 223(b) of the Social Security Act so as to extend the life of applications for social security benefits to the date of final decision thereon by the Secretary of Health, Education, and Welfare.

The House recedes.

**OVERPAYMENTS AND UNDERPAYMENTS**

Amendment No. 458: The Senate amendment added to the House bill a new section 329, amending section 204 of the Social Security Act to authorize the Secretary of Health, Education, and Welfare to recover overpayments made to a beneficiary by decreasing, during the overpaid beneficiary's lifetime, the benefits of another beneficiary entitled on the basis of the same earnings record; to permit the Secretary to waive recovery or adjustment of an overpayment from any person who is without fault in the overpayment, even if he is not the overpaid person and the overpaid person is at fault; and to authorize the Secretary to establish an order of priority for disposing of amounts due a deceased beneficiary.

Under the conference agreement, the change in existing law is limited to cases of underpayments in which an individual dies before completion of payment of amounts due him under title II of the Social Security Act and the total amount due him at the time of his death, does not exceed an amount equal to 1 month's benefit. In such a case, payment is to be made to his surviving spouse who was living in the same household, or, if there is no such spouse, to the legal representative of his estate.

#### PAYMENTS TO TWO OR MORE INDIVIDUALS OF THE SAME FAMILY

Amendment No. 459: The Senate amendment added to the House bill a new section 330, which amended section 205(n) of the Social Security Act to provide that payment to the surviving payee or payees of a joint benefit check which was not negotiated before one of the payees dies may be authorized in accordance with regulations of the Secretary of the Treasury, and to provide for recovery of any overpayment resulting from the cashing of the joint check.

The House recedes.

#### VALIDATING CERTIFICATES FILED BY MINISTERS

Amendment No. 460: The Senate amendment added to the House bill a new section (sec. 331) amending sections 1402(e) (5) and (6) of the Internal Revenue Code of 1954. The amendment would under certain conditions permit social security credit to be obtained for the earnings of certain ministers who die or file waiver certificates before April 16, 1966, where such earnings were reported for social security purposes but cannot be credited under existing law.

The House recedes with technical amendments.

#### DETERMINATION OF ATTORNEYS' FEES IN COURT PROCEEDINGS UNDER TITLE II

Amendment No. 461: The Senate amendment added to the House bill a new section 332, which amends section 206 of the Social Security Act to permit a court which renders a decision favorable to a claimant for benefits to set a reasonable fee, not in excess of 25 percent of the past due benefits resulting from the decision, for the attorney who represented the claimant before the court. The amendment also permits the Secretary to certify payment of the court-awarded fee to the attorney from the past due benefits of the claimant, and provides that any attorney charging or receiving more than the fee set by the court is subject to a fine of up to \$500, imprisonment up to 1 year, or both.

The House recedes with a technical amendment.

#### CONTINUATION OF WIDOW'S AND WIDOWER'S INSURANCE BENEFITS AFTER REMARRIAGE

Amendment No. 462: The Senate amendment added a new section (sec. 333) to the House bill providing for the payment of benefits based on a prior spouse's earnings record to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit would be 50 percent of the primary insurance amount of the deceased spouse rather than 82½ percent as in the case of unremarried widows and widowers. If a larger benefit would be payable based on the new spouse's earnings record, the excess of that benefit over the benefit based on the prior spouse's earnings would be paid to the remarried widow or widower.

The House recedes with a technical amendment.

#### CHANGES IN DEFINITIONS OF WIFE, WIDOW, AND WIDOWER

Amendment No. 463: The Senate amendment added to the House bill a new section (sec. 334) that would provide an exception to the 1-year duration-of-marriage requirement for spouse's benefits for any wife,

widow, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child. Similar rules apply under existing law where the wife, widow, husband, or widower was actually or potentially entitled to similar benefits under title II of the Social Security Act.

The House recedes.

#### REDUCTION OF BENEFITS ON RECEIPT OF WORKMEN'S COMPENSATION

Amendment No. 464: The Senate amendment added a new section 335 to the House bill which provides that social security disability benefits for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits paid to him and his dependents under both programs exceed the higher of (1) 80 percent of his average current earnings, or (2) the total of his disability insurance benefit for such month and of any monthly insurance benefits under section 202 for such month based on his wages and self-employment income. For this purpose, an individual's average current earnings is the larger of (A) the average monthly wage used in computing the disability insurance benefit, or (B) one-sixtieth of the total of his wages and self-employment income for the 5 consecutive calendar years after 1950 for which such wages and self-employment income were highest. The reduction is to be periodically adjusted to take account of changes in national average earnings. The new section will be applicable with respect to benefits payable for months after December 1965 on the basis of disabilities commencing after June 1, 1965.

The House recedes with technical amendments.

#### METHOD OF MAKING CERTAIN DISABILITY DETERMINATIONS

Amendment No. 465: This amendment added a section 336 to the bill to include among the individuals with respect to whom the Secretary of Health, Education, and Welfare would make the disability determinations referred to in section 221(a) of the Social Security Act (that is, determinations of whether an individual is under a disability and of the day such disability began, and the determination of the day on which such disability ceases) those individuals with respect to whom the Secretary, in accordance with regulations prescribed by him, finds that a determination of disability or cessation of disability can be made on evidence specified in the amendment.

The Senate recedes.

#### PAYMENT FOR COSTS OF REHABILITATION FROM TRUST FUNDS

Amendment 466: The Senate amendment added a new section 337 to the House bill amending section 222 of the Social Security Act. For the purpose of making vocational rehabilitation services more readily available to disabled individuals who are entitled to disability benefits (or entitled to child's insurance benefits after age 18 where the child is disabled) and to the end that savings will result to the Federal Disability Trust Fund and the Federal Old-Age and Survivors Insurance Trust Fund, the new section authorized transfers from the trust funds of such sums as may be necessary to enable the Secretary of Health, Education, and Welfare to pay the costs of vocational rehabilitation services for such disabled individuals. The total amount made available during any fiscal year may not exceed 1 percent of the total amount certified for payment in the preceding year as (1) benefits for children over 18 and under a disability, and (2) disability insurance benefits.

The House recedes with technical amendments. The conference agreement relates

to payment for the costs of rehabilitation services, and it is expected that this will be accomplished through use of rehabilitation and training facilities and services which are otherwise available.

#### TEACHERS IN THE STATE OF MAINE

Amendment No. 467: The Senate amendment added to the House bill a new section (sec. 338) which would extend from July 1, 1965, to July 1, 1970, the period during which the State of Maine is permitted (under sec. 316 of the Social Security Amendments of 1958) to treat teaching and nonteaching employees who are actually in the same retirement system as though they were under separate retirement systems for social security coverage purposes.

The House recedes with an amendment the effect of which is to change "July 1, 1970" to "July 1, 1967."

#### EXCLUSION FROM COVERAGE OF CERTAIN STUDENTS IN IOWA AND NORTH DAKOTA

Amendment No. 468: The Senate amendment added to the House bill a new section (sec. 339) which would permit the State of Iowa and the State of North Dakota to modify their coverage agreements with the Secretary of Health, Education, and Welfare under section 218 of the Social Security Act so as to exclude from social security coverage service performed in any calendar quarter in the employ of a school, college, or university by a student if the remuneration for such service is less than \$50.

The House recedes with a clerical amendment.

#### QUALIFICATION OF CHILDREN NOT QUALIFIED UNDER STATE LAW

Amendment No. 469: The Senate amendment added to the House bill a new section (sec. 340) which would provide for the payment of benefits to a child, regardless of whether he has the status of a child under applicable State law, if the father had acknowledged the child in writing, had been ordered by a court to contribute to the child's support, or had been judicially decreed to be the child's father, or he had been shown by other satisfactory evidence to be the child's father and was living with or contributing to the support of the child.

The House recedes with a clerical amendment.

#### EMPLOYEES OF MEMBERS OF AFFILIATED GROUP OF CORPORATIONS

Amendment No. 470: The Senate amendment added to the House bill a new section (sec. 341) to provide that in cases where a person works for more than one corporation in an affiliated group of corporations during the calendar year, the affiliated group (rather than each corporation, as under present law) would be considered to be a single employer for purposes of determining the maximum amount of wages subject to employer and employee taxes.

The Senate recedes.

#### ACTUARIALY REDUCED BENEFITS AT AGE 60

Amendment No. 471: The Senate amendment added to the House bill a new section (sec. 342) amending section 202 of the Social Security Act to provide that workers, wives, husbands, widowers, and parents would be eligible for benefits at age 60 rather than at age 62 as under existing law. The amendment also amended subsections (q) and (r) of section 202 of the act to provide that where an individual elects to receive his benefits before age 65 in the case of workers, wives, or husbands, or before age 62 in the case of widowers or parents, the benefits would be actuarially reduced. (A provision to make widow's benefits available at age 60, with the benefits actuarially reduced, is included in section 307 of the bill as agreed to in conference.)

The Senate recedes.

**DISCLOSURE UNDER CERTAIN CIRCUMSTANCES TO WELFARE AGENCIES OF WHEREABOUTS OF INDIVIDUALS**

Amendment No. 472: The Senate amendment added to the House bill a new section 343, amending section 1106 of the Social Security Act, to require the Secretary to furnish promptly, at the request of a welfare agency or a court, the most recent address in the social security records for a person who has failed without lawful excuse to provide support for his or her destitute child or children under age 16, or his destitute wife.

The House recedes with an amendment requiring the Secretary to furnish, at the request of a State or local agency participating in any State or local public assistance program, the most recent address in the social security records for a parent (or his most recent employer, or both) who has failed to provide support for his or her destitute child or children under age 16 who are recipients of or applicants for assistance under such public assistance program, where there is a court order for the support of the children and the information requested is to be used by the welfare agency or the court on behalf of the children.

**EXTENSION OF TIME FOR MINISTERS TO ELECT COVERAGE**

Amendment No. 473: The Senate amendment added to the House bill a new section (sec. 344) amending sections 1402(a) (2) and (3) of the Internal Revenue Code of 1954. The amendment extends the period during which ministers may file waiver certificates electing social security coverage. If a certificate is filed after the date of enactment of the bill and on or before the due date of the return (including any extension thereof) for the second taxable year ending after 1963, the certificate is to be effective for the taxpayer's first taxable year ending after 1962 and all succeeding years. In the case of a calendar-year taxpayer the due date of the return for such second taxable year is April 15, 1966, and the certificate would apply to 1963 and succeeding taxable years.

The House recedes with a clerical amendment.

**INTERRELATIONSHIP BETWEEN VETERANS' BENEFITS AND INCREASED SOCIAL SECURITY BENEFITS**

Amendment No. 474: The Senate amendment added to the House bill a new section (sec. 345) amending section 503 of title 38, United States Code, for the purpose of excluding the benefit increase provided in the bill from countable income in determining eligibility for and amount of a veteran's pension.

The Senate recedes.

**CERTAIN SCHOOL EMPLOYEES IN ALASKA**

Amendment No. 475: The Senate amendment added to the House bill a new section (sec. 346) validating, for periods through the year of the enactment of the bill, social security coverage of employees of certain school districts in Alaska which have been included in error as employees of separate political subdivisions under the coverage agreement between the State of Alaska and the Secretary of Health, Education, and Welfare entered into pursuant to section 218 of the Social Security Act.

The House recedes with a clerical amendment.

**CONTINUATION OF CHILD'S INSURANCE BENEFITS AFTER ADOPTION BY BROTHER OR SISTER**

Amendment No. 476: The Senate amendment added to the House bill a new section (sec. 347) under which a child's brother or sister would be included in the list of relatives (under existing law, the stepparent, grandparent, aunt, or uncle) who may adopt a child after the death of the worker on whose earnings the child is entitled to benefits without causing termination of the child's insurance benefits.

The House recedes with a clerical amendment.

**DISABILITY INSURANCE BENEFITS FOR THE BLIND; SPECIAL PROVISIONS**

Amendment No. 477: This amendment added a new section to the bill (1) to provide, for purposes of both disability insurance benefits and the disability freeze, that the term "disability" includes blindness (as defined by the amendment), and (2) to provide that an individual whose disability is blindness (as so defined) be insured for disability insurance benefits for any month if he had not less than 6 quarters of coverage before the quarter in which such month occurs. (Existing law requires an individual to be fully insured and to have 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability begins.) The term "blindness" was defined to mean central visual acuity of 20/200 or less in the better eye, or visual acuity greater than 20/200 if accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20°. The amendment also provided for payment of disability benefits after age 65 in such cases.

Under the conference agreement, an individual who becomes disabled before age 31, and whose disability is blindness (as defined for disability freeze purposes under existing law), is insured for disability insurance benefits for any month if not less than one-half (and not less than 6) of the quarters during the period ending with the quarter in which such month occurs and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 quarters in the 12-quarter period ending with such quarter were quarters of coverage. Similar rules are provided for purposes of the disability freeze.

The conference agreement also provides disability insurance benefits for disabled individuals who are blind (within the meaning of existing law) and have attained 55. For such purposes, the term "disability" is defined to mean inability by reason of blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which the individual had previously engaged with some regularity and over a substantial period of time. If the individual engages in substantial gainful activity in a month, no payment of a disability insurance benefit is to be made to him for such month, and no payment of a wife's, husband's, or child's insurance benefit is to be made for such month on the basis of his wages and self-employment income.

**INCREASE IN FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES**

Amendment No. 478: The House bill increased the Federal share of the expenditures for cash assistance and medical care under State plans approved under title I, IV, X, XIV, or XVI of the Social Security Act. This change was to be effective for expenditures after December 31, 1965.

The Senate amendment advanced this date to June 30, 1965.

The Senate recedes.

**PROTECTIVE PAYMENTS FOR PUBLIC ASSISTANCE RECIPIENTS**

Amendments Nos. 479 and 480: The House bill authorized protective payments to interested third parties on behalf of aged public assistance recipients who, because of a physical or mental condition, are so unable to manage money that payment of the assistance directly to them would be contrary to their welfare. These payments would be authorized under conditions designed to protect the interests of the needy person.

The Senate amendments authorized comparable provisions with respect to blind and

disabled recipients. (The existing law authorizes such payments under the aid to families with dependent children program.) The House recedes.

**DISREGARDING CERTAIN INCOME ON DETERMINING NEED UNDER PUBLIC ASSISTANCE PROGRAMS**

Amendments Nos. 484, 485, 486, 487, and 488: The House bill authorized the exemption of a larger amount of earnings than under present law for recipients of old-age assistance and for aged recipients under the State plan approved under title XVI of the Social Security Act.

The Senate amendments changed these provisions in several ways: (1) they advanced the effective date from January 1, 1966, to October 1, 1965; (2) they provided a comparable earnings exemption with respect to disabled recipients under titles XIV and XVI; (3) they included a provision under such titles for disregarding other income and resources of disabled recipients who actually are undergoing vocational rehabilitation; (4) they clarified the exemptions under title XVI with respect to individuals who are both aged and blind or aged and disabled to assure that the individual would qualify for the largest exemption to which he might be entitled; and (5) they provided for the exemption, over and above any other exemptions allowed, of up to \$7 a month of income from any source, and whether or not earned.

The House recedes with an amendment reducing the monthly exemption of the income referred to in clause (5) above from \$7 to \$5. The \$5 (or lesser amount) of income which may be disregarded for a month may be earned income, income from relatives or any other type of income.

**REVIEW OF CERTAIN ADMINISTRATIVE DETERMINATIONS UNDER PUBLIC ASSISTANCE PROGRAMS**

Amendments Nos. 491 and 492: The House bill provided, in relation to judicial review of the Secretary's decisions regarding public assistance plans, that the findings of the Secretary unless substantially contrary to the weight of evidence would be conclusive.

The Senate amendments change the language "unless substantially contrary to the weight of the evidence" to "if supported by substantial evidence."

The House recedes.

**TECHNICAL AMENDMENTS TO ELIMINATE PUBLIC ASSISTANCE PROVISIONS**

Amendment No. 497: Under the House bill, after June 30, 1967, payments to the States with respect to aid or assistance in the form of medical or any other type of remedial care could be made only under the new title XIX of the Social Security Act (and not, as at present, under title I, IV, X, XIV, or XVI). Section 408 of the House bill eliminated those public assistance provisions which would become obsolete as of July 1, 1967.

Under the conference action explained above with respect to Senate amendment No. 281, payments to States with respect to aid or assistance in the form of medical or any other type of remedial care may not be made under title I, IV, X, XIV, or XVI after December 31, 1969.

The House recedes. The provisions of these titles which are in effect in 1969 and which will become obsolete on January 1, 1970, should at some time be removed from the law to simplify it.

**OPTOMETRISTS SERVICES**

Amendment No. 510: The House bill included a provision in the new medical assistance title (title XIX of the Social Security Act) that, if eyeglasses are provided, the individual must be free to choose whether these are prescribed by a physician skilled in the diseases of the eye or an optometrist. It also carried over from existing law the requirement that the individual be free to

choose either a physician or an optometrist to examine his eyes to determine whether he is blind.

Senate amendment No. 510 extended this principle of freedom of choice to all titles of the Social Security Act and to all services which an optometrist is licensed to perform.

The Senate recedes.

ELIGIBILITY OF CHILDREN OVER 18 ATTENDING SCHOOL

Amendment No. 511: This amendment would broaden the type of schools that children over the age of 18 and under the age of 21 may attend and receive aid to families with dependent children payments in which the Federal Government will participate. The extension would be from the requirement that the child be (as determined in accordance with standards prescribed by the Secretary of Health, Education, and Welfare) a student regularly attending a high school in pursuance of a course of study leading to a high school diploma or its equivalent, to the requirement that he be (as determined by the State in accordance with standards prescribed by the Secretary) a student regularly attending a school, college, or university. The House bill contained no provision on this subject.

The House recedes.

DISREGARDING CERTAIN EARNINGS OF DEPENDENT CHILDREN

Amendment No. 512: This amendment would permit States, effective July 1, 1965, in determining need for assistance under aid to families with dependent children programs, to disregard not more than \$50 per month of the earned income of a dependent child under the age of 18, but would limit the exemption to not more than three children in the same home. There was no provision on this subject in the House bill.

The House recedes with an amendment making the family limitation \$150 per month for children in the same home.

ALTERNATIVE FEDERAL PAYMENTS WITH RESPECT TO PUBLIC ASSISTANCE EXPENDITURES

Amendment No. 513: This amendment added two provisions (in a new sec. 1118 of the Social Security Act) relating to the Federal share of expenditures for public assistance: (1) it would permit any State which has in effect a plan approved under the new title XIX to claim Federal participation in its expenditures under all of its Federal-State public assistance programs by application of the new formula contained in title XIX instead of using the varying formulas in the existing titles, and (2) it would permit any State, for the period January 1 through June 30, 1966, which could meet substantially all of the objectives and requirements of the new title XIX under its assistance programs approved under the other titles of the Social Security Act to receive Federal participation in its medical assistance expenditures by application of the formula provided in title XIX and, at its option, to have this formula applied in determining the Federal share for its money payments. No comparable provisions were in the House bill.

The House recedes with an amendment retaining the first but not the second provision.

W. D. MILLS,  
CECIL R. KING,  
HALE BOGGS,  
EUGENE J. KEOGH,  
JOHN W. BYRNES,  
THOS. B. CURTIS,  
JAMES B. UTT,

*Managers on the Part of the House.*

I think the addition of survivor benefits in 1939, the extension of coverage to the self-employed in the early 1950's, the addition of disability benefits in 1956, and the improvements which were made in 1960 will rank among these outstanding measures. However, compared to these, the bill upon which you take final action today perhaps stands head and shoulders over all these other measures. It will be only a few short days until the social security system will celebrate its 30th anniversary, in fact, on August 14 next. I think this occasion takes on added significance because of that fact.

The measure on which you will take final action today meets the requirements of actuarial soundness and fiscal responsibility. It meets the requirements of the times in terms of the urgent needs of our elderly citizens. It meets the requirements of this day in terms of extension of programs to the needy, to crippled children, and to the millions of our citizens whose primary source of income is their social security benefits. I can commend this conference report to the House because in it you will be voting to approve over 95 percent of the original House version of this legislation. The additions, although numerous by a count of amendments, are few in terms of major structural changes.

Mr. Speaker, manifestly it will not be possible for me to cover in the brief time allotted to us under the rules all of the detailed provisions of this conference report. I will undertake simply to outline the principal provisions which I believe will be of broadest concern to the most Members.

First, let us consider the hospital and medical provisions.

#### BASIC HOSPITAL INSURANCE PLAN

Members will recall that the basic hospital insurance plan is referred to as plan A. Under the new title XVIII of the Social Security Act, the House provided coverage of 60 days of hospital care after a deductible of \$40 currently. The Senate provided for unlimited duration of benefits but with \$10 coinsurance for each day in excess of 60 days.

The conference provides 60 days of hospital benefits with a \$40 deductible and with an additional 30 days with the Senate's \$10 coinsurance feature—a total of 90 days.

Next we turn to posthospital extended care, that is, care in skilled nursing homes.

The House provided coverage of 20 days of such care with 2 additional days for each unused hospital day but with a maximum of 100 days of extended care covered.

#### SOCIAL SECURITY AMENDMENTS OF 1965—CONFERENCE REPORT

The SPEAKER. The Clerk will read the statement of the managers on the part of the House.

The Clerk proceeded to read the statement.

(For conference report and statement, see proceedings of the House of July 26, 1965.)

Mr. MILLS (interrupting the reading). Mr. Speaker, in view of the fact that the statement of the managers on the part of the House is some 35 pages in length and because the highlights of the conference agreement will be discussed by the managers on the part of the House, I ask unanimous consent to dispense with further reading of the statement.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, I yield myself 10 minutes.

Mr. Speaker, we are today reaching the final stages of legislative consideration of one of the most significant and far-reaching measures which has been before this or any recent Congress.

The legislation which this House passed on April 8 by an overwhelming vote and which is brought back to you today after detailed examination in the other body and after having been amended in a number of respects by the other body, is brought back essentially in the same form and basically with the same primary provisions as were contained in the House bill, originally.

However, before proceeding into the highlights of the conference agreement, it might be well for Members to recall the truly significant nature and broad ramifications of what we are doing in this legislation. It has been referred to as historic legislation—and I believe properly so. Over the years since the initiation of the social security program in 1935, there have been several notable landmarks in the form of amendments.

#### SOCIAL SECURITY AMENDMENTS OF 1965

Mr. MILLS. Mr. Speaker, I call up the conference report on the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Senate provided 100 days but imposed \$5 a day coinsurance for each day in excess of 20.

The conference report adopted the Senate version.

Posthospital home-health visits: The House authorized 100 visits after hospitalization.

The Senate increased the number of visits to 175 and deleted the requirement of prior hospitalization.

The conference adopted the House version.

Outpatient diagnostic services: The House imposed a \$20 deductible with this amount creditable against an inpatient hospital deductible which was imposed at the same hospital within 20 days.

The Senate imposed a 20-percent coinsurance on such services, removed the credit against the inpatient hospital deductible but allowed a credit for the deductible as an insured expense under the voluntary supplementary program.

The conference adopted the Senate version.

Psychiatric facilities: The House provided for 60 days of psychiatric hospital care with a 180-day lifetime limit in the voluntary supplementary program.

The Senate moved these services over into the basic hospital insurance program and increased the lifetime limit to 210 days.

The conference accepted the Senate version but reduced the lifetime limit to 190 days.

The House excluded any extended care facility primarily for the care and treatment of mental diseases or tuberculosis.

The Senate included such facilities but made both psychiatric extended care days and psychiatric hospital days subject to the lifetime limitation of days of care.

The conference report continues the House exclusion.

Scope of services—specialists: The House excluded physicians; services in the field of pathology, radiology, psychiatry, or anesthesiology from basic hospital insurance benefit—but provided for their payment under the supplementary voluntary medical insurance program.

The Senate included these services if billed through a hospital.

The conference adopted the House version.

Federal employees: The House provided for coverage of aged under part A. Federal employees who were not eligible for protection under the Federal Employees Health Act and were not insured under social security. The Senate blanketed in all aged Federal employees. We ended up in a compromise with the Senate by including some additional Federal employees under the transitional provision for the uninsured.

Railroad retirement employees: We had a difference within the conference on railroad retirement employees and how their program would be financed. We ended up in conference in a compromise with the Senate on this provision, the net general effect of which is that the Railroad Retirement Board will determine eligibility but the Department of Health, Education, and Welfare would reimburse providers who provide the covered services.

#### SUPPLEMENTARY VOLUNTARY PLAN

Mr. Speaker, in the supplementary medical insurance plan, plan B, the House proposed to initiate the program as of July 1, 1966, when the basic plan would go into effect. The Senate changed the effective date of the B plan to January 1, 1967. The conference accepted the House version in this respect.

Medical services: The House bill limited the services under the supplementary plan to physicians. The Senate bill extended the program to dentists performing certain dental surgeon functions and to chiropractors and podiatrists.

The conference adopted the dental surgeon's services but did not include those of podiatrists and chiropractors.

#### MEDICAL ASSISTANCE—NEW TITLE XIX

Under the new title XIX the revised Kerr-Mills program, a very significant change was made I think from the House bill. Under the House bill, a single State agency was to administer the medical assistance program. This is the agency administering title I or title XVI; that is, the welfare agency. Under the conference agreement we adopted the provision that the State agency may be chosen by the State to administer the program but that eligibility for the program would be determined by the agency administering title I and title XVI.

Mr. HALL. Mr. Speaker, would the distinguished chairman of the Committee of Ways and Means rather finish his statement and then yield for some questions?

Mr. MILLS. If I may.

Mr. HALL. I want to ask a question on that point.

#### FUTURE TERMINATION OF EXISTING MEDICAL VENDOR PROGRAMS

Mr. MILLS. The House provided that all the medical programs under the titles were to terminate on June 30, 1967, and that the medical programs would have to be made available to the States under title XIX. The Senate gave the States the option of continuing existing law or going under the new title XIX.

The conference agreement would terminate all these existing programs on December 31, 1969, with the result that beginning in 1970 the only program of medical care that the States could have to which we would make contribution would be the title XIX program, the Kerr-Mills program.

Mr. Speaker, while I am on the subject of the new title XIX, I should clear up one point on which there has been some confusion. In the new title XIX, under the State plan, the bill provides that in determining whether an individual is blind, there would have to be an examination by a "physician skilled in diseases of the eye or by an optometrist, whichever the individual may select." Again in the definition of medical assistance, the State program may provide for eyeglasses prescribed by a "physician skilled in diseases of the eye or by an optometrist, whichever the individual may select."

It has come to my attention that there may be some confusion as to what meaning was intended by "physician skilled in diseases of the eye." It is our intention that this phrase shall have the same

meaning it has in the existing social security law; that is, that the determination of blindness and the prescribing of glasses can be made by any physician authorized by State law to perform such services. It has never been our intention to limit the authority of physicians who have been licensed under State law.

The SPEAKER. The time of the gentleman from Arkansas has expired.

Mr. MILLS. I yield myself 5 additional minutes.

The SPEAKER. The gentleman is recognized for 5 additional minutes.

Mr. MILLS. Mr. Speaker, I shall not take the time to discuss the other changes that were made with respect to the Kerr-Mills program.

#### OASDI SYSTEM

However, let me go now to the retirement test under social security itself.

The House provided for an expansion of the \$1 deduction for each \$2 of earnings, from \$1,700 to \$2,400. The House retained the provision of no loss of benefit at \$1,200. The Senate provided for the \$1,200 to increase to \$1,800 and extended the two-for-one band to cover earnings between \$1,800 and \$3,000.

Mr. Speaker, in the conference a compromise was worked out wherein the \$1,200 is increased to \$1,500. On top of that, we placed another \$1,200 band on two-for-one earnings versus benefits, or a total of \$2,700 compared to \$2,400 in the House bill as the place where \$1 in earnings results in a \$1 reduction in benefits.

I shall not discuss, Mr. Speaker, the provisions of the disability insurance program included in the conference report, nor shall I discuss the amendment on blindness under the disability program as well as vocational rehabilitation of disability beneficiaries. Nor shall I discuss the offset for workmen's compensation which is included in the bill. All of these provisions are discussed in the material I will put in the RECORD.

The provision for the coverage of tips which was in the House bill is returned in almost the identical form that it passed the House. The one major exception is that the employer is excluded from paying any employer tax on the amount of tips that are included for social security purposes.

Mr. Speaker, the coverage of doctors under the social security program remains in the bill. However, the date for the inclusion of doctors was moved up 1 year by the Senate so that the effective date was moved to taxable years ending on or after December 31, 1965, instead, of as it was in the House bill with respect to the year 1966.

Mr. Speaker, the conference report included the Senate version in this respect.

#### FINANCING

Now, Mr. Speaker, I said earlier that this bill is actuarially sound and fiscally responsible. I can assure the Members of the House that it is. In the process, however, of making it actuarially sound and fiscally responsible, it is necessary that I report to you about the increase in social security tax to be withheld from the worker's pay check and the amount which will be paid by the self employed individual.

Mr. Speaker, bear in mind that there was a 1 percent increase in the combined rate effective under the provisions of the existing law for January 1, 1966. The rate that is in the bill, the rate on the employer and employee combined for OASDI purposes starts off at 7.7 percent and goes to 9.7 percent in the year 1973 and thereafter.

The self employed OASDI rate will never go higher than 7 percent under the provisions of the conference report, just as under the House-passed bill.

For the hospital insurance, there is a tax applied also. This is a separate tax, separately stated.

That tax—the HI tax—starts off in the conference report, the combined tax on employee and employer, as seven-tenths of 1 percent, or 0.35 percent each. In 1987 and years after that it is our opinion the rate should go to the stated combined rate in the conference report of 1.6 percent, or 0.8 percent each.

These are the things, Mr. Speaker, that make it possible for a report of actuarial soundness and fiscal responsibility with respect to the bill.

One change was made in the conference that varied from the provisions of the House bill. In the House bill we started in January 1966, with a wage base of \$5,600 and provided that on January 1, 1971, the base would go to \$6,600. The Senate moved the \$6,600 effective date forward to January 1, 1966. The House accepted the Senate amendment in this respect so that this coming January 1, 1966, the wage base will be \$6,600, but it will remain that way in future years under the provisions of the conference report. There will be no additional step-up in the base under the conference report.

Mr. Speaker, the bill itself involved some 409 pages as we had it, and there were some 513 amendments that were numbered, maybe some that were not numbered, that were adopted by the Senate. The bill is voluminous and complex. Many of these Senate amendments were technical, clerical or editorial, many of them going to matters of substance. In the conference we maintained a rather firm position with respect to the amendments of substance. I think, though, we did increase the number of words in the bill. I can assure you, anyone who voted for the bill as it passed the House can feel perfectly safe in voting for this conference report.

I would commend it to all of you, I would urge that everyone this time express himself as being for the programs involved in the bill.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Missouri.

Mr. HALL. I appreciate the distinguished chairman of the Committee on Ways and Means yielding. Certainly, as chairman of the conference, a stentorian duty has been performed in dealing with all of the amendments of both bodies. I am particularly delighted that in amendments 70 and 141 the position of the House prevailed, and that the professional services involving involuntary servitude for certain medical specialists was removed.

May I ask the gentleman about the State requirements? For example, amendment 195 on page 45, page 50, amendment 251, and on page 51, the standards of assuring high quality of medical assistance in the various States, and so forth.

Will the various parts, if not, indeed, the titles of this new soon-to-be act be implemented through the State health department agencies by and large, and, then, is there provision for that to be done with coordination throughout the Nation, or with the Blue Shields and other qualified insuring agencies insofar as those plans are concerned?

Mr. MILLS. The bill very specifically calls upon the State public health departments to assist with respect to standards and also to really set the standards under certain of the programs. Are you referring to the basic program? As you know a number of programs are involved.

Mr. HALL. I am referring both to the basic and supplemental and including the B insurance, Mr. Chairman.

If I may proceed just to elaborate on my question, what particularly worries me is this. A State, for example, under amendment 195, having to do with determining which institutions and agencies qualify and the certification thereof, the Secretary would accept such agencies' certification of institutions as a provider of services. The Senate receded although they had provided that it would be mandatory on the Secretary to establish such. My question simply is—Does this leave this in the hands of the State agency?

Mr. MILLS. It provides that when a State is able and willing to do so, the State will be utilized to determine whether its institutions and agencies qualify for the program and the Secretary may accept the State's certifications.

Mr. HALL. Does the same thing generally apply to this other situation?

Mr. MILLS. What amendment number is the gentleman specifically referring to?

Mr. HALL. Page 50 and 51. On page 50, amendment 251, nature of State agency required to administer State medical assistance program.

This can involve everything from certification of a nursing home right on down to coinsurance.

Mr. MILLS. The State is free to decide what agency will administer the medical assistance programs. The only limitation in the bill is that the welfare department, which has been determining eligibility under public assistance medical care programs for years, determine eligibility.

Mr. HALL. Does the distinguished chairman concur in my statement in the feeling that it would be necessary to have physicians help to implement these plans?

Mr. MILLS. Absolutely.

Mr. HALL. Which statement I think he made once before.

Mr. MILLS. Absolutely, as to both the supplemental plan and the basic plan.

Now as to the plan under title XIX, the services of physicians will be most necessary.

Mr. HALL. In order to avoid the abuse factor in order to serve on the utilization committees at the local, State, and National level?

Mr. MILLS. Yes. They will serve on utilization committees in all hospitals. That is the requirement of the bill that they be on these utilization committees. But in the administration of the new title XIX, the State now, as I pointed out, can select, if it so desires, the public health department to be primary administrator of the program except that the public health department will not make a determination of eligibility. We accepted that Senate amendment which actually had been previously considered by our committee. It was not written into the bill initially, but the Committee on Ways and Means looked with a great deal of interest upon the idea when we had it in committee. What we are trying to do all the way through here is to indicate that medical programs have to have the advice of physicians and the advice of skilled hospital people and those people who are skilled in the field of medical services. Such a program cannot be properly administered in my opinion without their advice and assistance.

Mr. HALL. Would it then be possible if the gentleman will yield further, for any given State to say—We want our State health department including the Public Health Service and officials to implement this whether they use the Blue Cross or the coinsurers.

Mr. MILLS. That is title XIX we are talking about—it will not be possible for a State agency to administer the basic A plan or the basic B plan. The administration of these programs is lodged in the Social Security Administration with the directive, as you will recall, that they employ the services of fiscal intermediaries and carriers who will deal directly with hospitals and will deal directly with the doctors.

Mr. HALL. The provider of the services could be dealt with at the State level; is that not true?

Mr. MILLS. Not necessarily at the State level but it could be done on a State or regional basis. But the State health department would not necessarily come into the administration on a broad basis.

Mr. HALL. Would this be determined by social workers in the HEW or the Surgeon General in his Public Health Service?

Mr. MILLS. The provider would enter into an agreement with the Secretary of the Department of Health, Education, and Welfare.

Mr. HALL. I notice that doctors of medicine are covered under the basic social security law on an involuntary basis whether they like it or not. I must say, I regret that but I am glad that physicians have been defined in the conference report.

Mr. BOGGS. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman.

Mr. BOGGS. As a member of the conference committee who served with the distinguished gentleman from Arkansas, I should like to commend the gentleman for the outstanding job he has performed

as chairman of the conference. I also want to commend him for the job he did in developing this legislation in the Committee on Ways and Means. He, along with other members, worked long and diligently to perfect a well-rounded program.

Mr. Speaker, there were 513 amendments to this bill adopted by the other body, many of which could be and should be classified as major amendments.

In, I believe, six long sessions, covering a week in duration, of very hard work and extremely good staff work these differences were worked out between the two bodies.

Mr. Speaker, I believe that the gentleman and other members of the committee, both on the minority and majority sides, and in both bodies, have come up with what can be described only as a monumental piece of legislation. In my humble judgment, this bill will be one of the great bills not only of this Congress but also of any Congress in the history of our country. It is a landmark. Many people have worked on various facets of it over the years. The people will rise up to say "blessed" for the work which we will complete today.

I again compliment the gentleman for a magnificent job.

Mr. MILLS. Mr. Speaker, I thank the gentleman from Louisiana. I observe that there were seven of us representing the House in this conference, along with six Members of the other body. It was a very harmonious conference. We were never at any time in anything other than an even temper.

I thank all the members of the conference on the part of the House for their extreme degree of cooperation in this conference.

Mr. LAIRD. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. LAIRD. I should like to ask the distinguished gentleman from Arkansas, the chairman of the conference committee, a question. I introduced legislation calling for social security amendments earlier in the session providing for a 7-percent increase in retirement benefits and providing for benefits to widows who remarry, allowing them to use the prior earning record of their spouses. This legislation was introduced along with the gentleman from Florida [Mr. PEPPER]. I understand the Senate agreed to this. Is it in the conference report?

Mr. MILLS. I appreciate the gentleman's calling that to my attention. I knew of his interest and the interest of my friend from Florida with respect to the benefits for widows who remarry. As soon as we learned what the Senate had done, we immediately decided to accept the amendment, in view of the great interest of these two colleagues of ours, as manifested. That is in the conference report, but the benefit to be provided is on the basis of 50 percent of the primary benefit rather than 82½ percent, which is a widow's benefit. We have provided for continuation of payment as a wife's benefit, rather than a widow's benefit, at 50 percent.

Mr. PEPPER. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Florida.

Mr. PEPPER. I wish to associate myself with the commendation which, by so many Members of the House, has been heaped upon the distinguished gentleman from Arkansas, chairman of the Committee on Ways and Means, who has been the creator of and the one who has shepherded this difficult bill to almost the final stage of enactment. What he has done through this measure in the lengthening of the lives, the betterment of the health, and the promotion of the happiness of the senior citizens of this country—I believe our most deserving segment of citizenship—is immeasurable. Not only they but all who love them and honor them will always call his name "blessed" for what he has done.

I should like to ask one question about a technical aspect, if the gentleman will yield further.

I thank the able gentleman for what he said to the distinguished gentleman concerning the recognition of the right of marriage by widows after reaching I believe the age of 62 without the loss of pension the widow formerly derived from a deceased husband. Now, such a lady may take a wife's benefit from her deceased husband or her new husband?

Mr. MILLS. That is correct.

Mr. PEPPER. I commend the able gentleman on that. One thing I fear we have not adequately covered is providing for the chronic illness of senior citizens of the country. Will the able gentleman tell us what provisions are in the bill to take care of the aged and chronically ill who need both hospital provisions and nursing home provisions provided for under this program? What provisions are in the bill as of this time?

Mr. MILLS. That requires a rather long and involved answer. The gentleman will recall that there are really three programs of medical care in this bill. One is a basic plan of up to 90 days of hospitalization.

Second, up to 100 days of skilled nursing home following hospitalization. Third, up to 100 home visits following hospitalization.

The SPEAKER. The time of the gentleman has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 1 additional minute.

You have the supplemental plan which provides for professional services of your doctors as well as for 175 home health visits annually and other services. On top of that, or below that, however you want to say it, you have a continuation of the Kerr-Mills program. I must say it is materially improved in this conference report. So that we are matching moneys with the States under the formula for an additional amount of care for anyone who is in need of that care as defined by the States.

Mr. PEPPER. But do I understand correctly, as I thought I was previously advised by the able gentleman, that the Federal funds are available to allow the States to provide any amount that may be reasonable and necessary and proper to provide under the amended Kerr-Mills bill for the care of the aged and chronically ill?

Mr. MILLS. The gentleman is cor-

rect; there is no ceiling on Federal matching funds for the Kerr-Mills program.

Mr. Speaker, I will include at this point a more detailed explanation of the legislation as reflected by the conference agreement:

PRINCIPAL PROVISIONS OF H.R. 6675, AS AGREED TO BY HOUSE-SENATE CONFERENCE COMMITTEE

A. HEALTH INSURANCE AND MEDICAL CARE FOR THE AGED

The bill would add a new title XVIII to the Social Security Act providing two related health insurance programs for persons 65 or over (1) a basic plan in part A providing protection against the costs of hospital and related care; and (2) a voluntary supplementary plan in part B providing protection against the cost of physicians' services and other medical and health services to cover certain areas not covered by the basic plan.

The basic plan would be financed through a separate payroll tax and separate trust fund. The plan would be actuarially sound under conservative cost assumptions. Benefits for persons currently over 65 who are not insured under the social security and railroad retirement systems would be financed out of Federal general revenues.

Enrollment in the supplementary plan would be voluntary and would be financed by a small monthly premium (\$3 per month initially) paid by enrollees and an equal amount supplied by the Federal Government out of general revenues. The premiums for social security, railroad retirement, and civil service retirement beneficiaries who voluntarily enroll would be deducted from their monthly insurance benefits. Uninsured persons desiring the supplemental plan would make the periodic premium payments to the Government.

Both the basic plan and the supplementary plan would become effective July 1, 1966.

The bill would also add a new title XIX to the Social Security Act which would provide a more effective Kerr-Mills program for the aged and extend its provisions to additional needy persons. It would allow the States to combine within a single uniform category the differing medical provisions for the needy which currently are found in five titles of the Social Security Act. Medical vendor provisions in existing law would expire, however, on December 31, 1969.

A description of these three programs follows:

1. Basic plan—hospital insurance

General description: Basic protection, financed through a separate payroll tax, would be provided by H.R. 6675 against the costs of inpatient hospital services, posthospital extended care services, posthospital home health services, and outpatient hospital diagnostic services for social security and railroad retirement beneficiaries when they attain age 65. Benefits for railroad retirement eligibles would be financed by the railroad retirement tax if certain conditions are met. The same protection, financed from general revenues, would be provided under a special transitional provision for essentially all people who are now aged 65, or who will reach 65 in the near future, but who are not eligible for social security or railroad retirement benefits.

Effective date: Benefits would first be effective on July 1, 1966, except for services in extended care facilities which would be effective on January 1, 1967.

Eligibility for Protection Under the Basic Plan

The proposed basic hospital insurance would be provided (on the basis of a new section in title II of the act) for people aged 65 and over who are entitled to monthly social security benefits or to annuities under the Railroad Retirement Act. In addition, people who are now aged 65 or will reach age

65 within the next few years and who are not insured under the social security or railroad programs would nevertheless be covered under the basic plan. In July 1966, when the program would become effective, about 17 million people aged 65 and over who are eligible for social security or railroad retirement benefits, and about 2 million aged who would be covered under a special transitional provision, would have the proposed basic hospital insurance.

Included under the special provision would be all uninsured people who have reached 65 before 1968. As to persons reaching 65 after 1967, they would have to have the quarters of coverage that are indicated in the following table:

Quarters of coverage required for OASI cash benefits as compared to hospital insurance

Year attains age 65	Men		Women	
	OASI	Hospital insurance	OASI	Hospital insurance
1967 or before	6-16	0	6-13	0
1968	17	6	14	6
1969	18	9	15	9
1970	19	12	16	12
1971	20	15	17	15
1972	21	18	18	(1)
1973	22	21		
1974	23	(1)		

<sup>1</sup> Same as OASI.

As indicated in the table, by 1974 the quarter coverage required for cash benefits and hospitalization insurance benefits will be the same and the "transitional" provision will phase out.

Together, these two groups comprise virtually the entire aged population. The major group excluded will be individuals afforded protection under the provisions of the Federal Employees' Health Benefits Act (FEHBA). Federal employees who retired before February 16, 1965, and who did not have coverage under FEHBA on that date would be covered under the transitional provision for the uninsured. Others excluded would be aliens (unless they have been admitted for permanent residence and have been residents of the United States for 5 years) and certain people convicted of subversive crimes.

Currently, 93 percent of the people reaching age 65 are eligible for benefits under social security or railroad retirement and this percentage will rise to close to 100 percent as the program matures.

Benefits: The services for which payment would be made under the basic plan include—

(1) inpatient hospital services for up to 90 days in each spell of illness. The patient pays a deductible amount of \$40 for the first 60 days plus \$10 a day for 30 days in excess of 60 for each spell of illness; hospital services would include all those ordinarily furnished by a hospital to its inpatients; however, payment would not be made for private duty nursing or for the hospital services of physicians except services provided by medical or dental interns or residents in training under approved teaching programs. Inpatient psychiatric hospital service would also be included, but a lifetime limitation of 190 days would be imposed.

(2) posthospital extended care (in a facility having an arrangement with a hospital for the timely transfer of patients and for furnishing medical information about patients) after the patient is transferred from a hospital (after at least a 3-day stay) for up to 100 days in each spell of illness, but after the first 20 days of care patients will pay \$5 a day for the remaining days of extended care in a spell of illness;

(3) outpatient hospital diagnostic services, with the patient paying a \$20 deducti-

ble amount and a 20 percent coinsurance for each diagnostic study (that is, for diagnostic services furnished to him by the same hospital during a 20-day period); and

(4) posthospital home health services for up to 100 visits, after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness. Such a person must be in the care of a physician and under a plan established by a physician within 14 days of discharge calling for such services. These services would include intermittent nursing care, therapy, and the part-time services of a home health aid. The patient must be homebound, except that when certain equipment is used, the individual could be taken to a hospital or extended care facility or rehabilitation center to receive some of these covered home health services in order to get advantage of the necessary equipment.

Christian Scientists are treated separately so that they will have sanatorium services of up to 60 days with \$40 deductible plus 30 additional days at \$10 coinsurance per day, as hospital service; plus an additional 30 days in a Christian Science sanatorium as extended care facility services with the \$5 per day coinsurance feature.

No service would be 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 would be considered to begin when the individual enters a hospital or extended care facility 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 would be increased if necessary to keep pace with increases in hospital costs, but no such increase would be made before 1969. The coinsurance amounts for long-stay hospital and extended care facility benefits would be correspondingly adjusted. 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 basic plan would 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 would rest with the Secretary of Health, Education, and Welfare; however, some administration for individuals under the railroad retirement system is vested in the Railroad Retirement Board if certain financing conditions are met, as explained under the next heading. The Secretary would use appropriate State agencies and private organizations (nominated by providers of services) to assist in the administration of the program. Provision is made for the establishment of an Advisory Council which would advise the Secretary on policy matters in connection with administration.

Financing: Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, would be earmarked in a separate hospital insurance trust fund established in the Treasury. The amount of earnings (earnings base) subject to the new payroll taxes would be the same as for purposes of financing social security cash benefits. The same contribution rate would apply equally to employers, employees, and self-employed persons and would be as follows:

	Percent
1966	0.35
1967-70	.50
1971-72	.50
1973-75	.55
1976-79	.60
1980-86	.70
1987 and after	.80

The taxable earnings base for the health insurance tax would be \$6,600 a year beginning in 1966.

The schedule of contribution rates is based on estimates of cost which assume that the earnings base will not be increased above \$6,600.

The benefits for railroad retirement eligibles will be financed by the railroad retirement tax, which is automatically increased by the operation of this bill, but the tax will be paid into the hospital insurance trust fund. During any period that the railroad retirement wage base is not equivalent to the hospital insurance earnings base, railroad workers and employers will be taxed as other workers and employers, and the benefits for railroad retirement eligibles will be administered by the Department of Health, Education, and Welfare.

The cost of providing basic hospital and related benefits to people who are not social security or railroad retirement beneficiaries would be paid from general funds of the Treasury.

2. Voluntary supplementary medical insurance plan

General description: A package of benefits supplementing those provided under the basic plan would be offered to all persons 65 and over on a voluntary basis. Individuals who enroll initially would pay premiums of \$3 a month (deducted, where possible, from social security or railroad retirement benefits). The Government would match this premium with \$3 paid from general funds. Since the minimum increase in cash social security benefits under the bill for workers retiring or who retired at age 65 or older would be \$4 a month (\$6 a month for man and wife receiving benefits based on the same earnings record), the benefit increases would fully cover the amount of monthly premiums.

Eligibility: The proposed supplementary insurance would be available to all people age 65 and over (whether or not they are social security or railroad retirement beneficiaries) who are residents of the United States and either are citizens or aliens admitted for permanent residence who have had 5 years of continuous residence. Any person entitled to the basic hospital insurance benefit would be eligible regardless of the preceding requirements.

Enrollment: Persons who have reached age 65 before January 1, 1966, will have an opportunity to enroll in an enrollment period which begins on the first day of the second month after the month of enactment and ends March 31, 1966.

Persons attaining age 65 subsequent to December 31, 1965, will have enrollment periods of 7 months beginning 3 months before the month of attainment of age 65.

In the future, general enrollment periods will be from October to December 31 in each odd-numbered year. The first such period will be October 1 to December 31, 1967.

No person may enroll more than 3 years after the close of the first enrollment period in which he could have enrolled.

There will be only one chance to reenroll for persons who are in the plan but drop out, and the reenrollment must occur within 3 years of termination of the previous enrollment.

Coverage may be terminated (1) by the individual filing notice during an enrollment period, or (2) by the Government for nonpayment of premiums.

A State would be able to provide the supplementary insurance benefits for its public assistance recipients who are receiving cash assistance if it chooses to do so.

Effective date: Benefits will be effective beginning July 1, 1966.

Benefits: The voluntary supplementary insurance plan would cover physicians' services, home health services, and numerous

other medical and health services in and out of medical institutions.

There would be an annual deductible of \$50. Then the plan would cover 80 percent of the patient's bill (above the deductible) for the following services:

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

(2) Home health service (with no requirement of prior hospitalization) for up to 100 visits during each calendar year.

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

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

(5) Ambulance services.

(6) 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) which replace all or part of an internal body organ; braces and artificial legs, arms, eyes, etc.

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

**Administration by carriers:** Basis for reimbursement: The Secretary of Health, Education, and Welfare would be required, to the extent possible, to contract with carriers to carry out the major administrative functions relating to the medical aspects of the voluntary supplementary plan such as determining rates of payments under the program and holding and disbursing funds for benefit payments. No contract is entered into by the Secretary unless he finds that the carrier will perform its obligations under the contract efficiently and effectively and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent. The contract must provide that the carrier take necessary action to see that where payments are on a cost basis (to institutional providers of service), the cost is a reasonable cost. Correspondingly, where payments are on a charge basis (to physicians or others furnishing non-institutional services), the carrier must see that such charge will be reasonable and not higher than the charge applicable for a comparable service and under comparable circumstances, to the other policyholders and subscribers of the carrier. Payment by the carrier for physicians' services will be made on the basis of a receipted bill, or on the basis of an assignment under the terms of which the reasonable charge will be the full charge for the service. In determining reasonable charges, the carriers would consider the customary charges for similar services generally made by the physician or other person or organization furnishing the covered services, and also the prevailing charges in the locality for similar services.

**Financing:** Aged persons who elect to enroll in the supplemental plan would pay monthly premiums of \$3. Where the individual is currently receiving monthly social security, railroad retirement, or civil service retirement benefits, the premiums would be deducted from his benefits.

The Government would help finance the supplementary plan through a payment from general revenues in an equal amount of \$3 a month per enrollee. To provide an operating fund, if necessary, at the beginning of the supplementary plan, and to establish a contingency reserve, a Government appropriation would be available (on a repayable basis) equal to \$18 per aged person estimated to be eligible when the supplementary plan goes into effect.

The individual and Government contributions would be placed in a separate trust fund for the supplementary plan. All benefit and administrative expenses under the supplementary plan would be paid from this fund.

Premium rates for enrolled persons (and the matching Government contribution) would be increased from time to time if program costs rise, but not more often than once every 2 years. The premium rate for a person who enrolls after the first period when enrollment is open to him or who reenrolls after terminating his coverage would be increased by 10 percent for each full 12 months he stayed out of the program.

**Income tax provisions:** The bill provides that the 3-percent floor on medical expense deductions, as well as the 1-percent limitation on medicines and drugs, is to apply to those age 65 or over in the same manner as it presently applies to those under age 65. This will have the effect of partially recovering the \$3 monthly premium paid from general funds of the Treasury from those aged persons who have taxable income, depending on the amount of their taxable income.

The bill also provides a special deduction, available to those who itemize their deductions, for one-half of any premiums paid for insurance of medical care expenses whether or not they have medical expenses in excess of the 3-percent floor, but this deduction may not exceed \$150 per year.

Another change limits the insurance premiums which may be taken into account to those which arise from coverage of medical care expenses and this must be indicated either on the insurance contract or on a separate statement supplied by the insurance company. Still a further change treats as current, qualifying medical care expenses (subject to limitations) the prepayment before age 65 of insurance of medical care after age 65. Also all maximum limitations on the medical expense deduction for all taxpayers are eliminated.

### 3. Improvement and extension of Kerr-Mills medical assistance program

**Purpose and scope:** In order to provide a more effective Kerr-Mills medical assistance program for the aged and to extend its provisions to additional needy persons, the bill would establish a single and separate medical care program to consolidate and expand the differing provisions for the needy which currently are found in five titles of the Social Security Act.

The new title (XIX) would extend the advantages of an expanded medical assistance program not only to the aged who are indigent but also to needy individuals in the dependent children, blind, and permanently and totally disabled programs and to persons who would qualify under those programs if in sufficient financial need. Other medically needy children may also be included.

Medical assistance under title XIX must be made available to all individuals receiving money payments under these programs and the medical care or services available to all such individuals must be equal in amount, duration, and scope. Effective July 1, 1967, all children under age 21 must be included who would, except for age, be dependent children under title IV.

Inclusion of the medically indigent aged not on the cash assistance rolls would be optional with the States but if they are included, comparable groups of blind, disabled, and parents and children must also be included if they need help in meeting necessary medical costs. Moreover, the amount and scope of benefits for the medically indigent could not be greater than that of recipients of cash assistance.

Under the bill, the current provisions of law in the various public assistance titles of the act providing vendor medical assistance would terminate upon the adoption of the

new program by a State, but in no case later than December 31, 1969.

**Scope of medical assistance:** Under existing law, the State must provide "some institutional and noninstitutional care" under the medical assistance for the aged program. There are no minimum benefit requirements at all under the other public assistance vendor medical programs.

The bill would require that by July 1, 1967, under the new program a State must provide inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services for individuals 21 years of age or older, and physician's services (whether furnished in the office, the patient's home, a hospital, a skilled nursing home or elsewhere), in order to receive Federal participation. Coverage of other items of medical service would be optional with the States.

**Eligibility:** The program for the needy elderly would be revised to require that the States must provide a flexible income test which takes into account medical expenses and does not provide rigid income standards which arbitrarily deny assistance to people with large medical bills. In the same spirit the bill provides that no deductible, cost sharing, or similar charge may be imposed by the State as to hospitalization under its program and that any such charge on other medical services must be reasonably related to the recipient's income or resources. Also, important is the requirement that elderly needy people on the State programs be provided assistance to meet the deductibles that are imposed by the new basic program of hospital insurance. Also where a portion of any deductible or cost sharing required by the voluntary supplementary program is met by a State program, the portion covered must be reasonably related to the individual's income and resources. No income can be imputed to an individual unless actually available; and the financial responsibility of an individual for an applicant may be taken into account only if the applicant is the individual's spouse or child who is under age 21 or blind or disabled.

**Increased Federal matching:** The Federal share of medical assistance expenditures under the new program would be determined upon a uniform formula with no maximum on the amount of expenditures which would be subject to participation. There is no maximum under present law on similar amounts for the medical assistance for the aged program. The Federal share, which varies in relation to a State's per capita income, would be increased over current medical assistance for the aged matching so that States at the national average would receive 55 percent rather than 50 percent, and States at the lowest level could receive as much as 83 percent as contrasted with 80 percent under existing law.

In order to receive any additional Federal funds as a result of expenditures under the new program, the States would need to continue their own expenditures at their present rate. For a specified period, any State that did not reduce its own expenditures would be assured of at least a 5-percent increase in Federal participation in medical care expenditures. As to compensation and training of professional medical personnel used in the administration of the program, the bill would provide a 75-percent Federal share as compared with the 50-50 Federal-State sharing for other administrative expenses.

**Administration:** The bill provides that any State agency may be designated to administer the program, as long as the determination of eligibility is accomplished by the agency administering the old-age assistance program.

Effective date: January 1, 1966.

### B. CHILD HEALTH AND WELFARE AMENDMENTS

**Maternal and child health, crippled children, and child welfare:** The bill would in-

crease the amount authorized for maternal and child health services and crippled children's services over current authorizations by \$5 million for fiscal year 1968 and by \$10 million in each succeeding fiscal year, as follows:

Fiscal year	Existing law	Under bill
1966	\$40,000,000	\$45,000,000
1967	40,000,000	50,000,000
1968	45,000,000	55,000,000
1969	45,000,000	55,000,000
1970 and after	50,000,000	60,000,000

The bill has made a similar increase in the authorization for the child welfare program. The increases would assist the States, in these programs, in moving toward the goal of extending services with a view of making them available to children in all parts of the State by July 1, 1975.

**Crippled children training personnel:** The bill would also authorize \$5 million for the fiscal year 1967, \$10 million for fiscal 1968, and \$17.5 million for each succeeding fiscal year to be for grants to institutions of higher learning for training professional personnel for health and related care of crippled children, particularly mentally retarded children and children with multiple handicaps.

**Health care for needy children:** A new provision is added authorizing the Secretary of Health, Education, and Welfare to carry out a 5-year program of special project grants to provide comprehensive health care and services for children of school age, or for preschool children, particularly in areas with concentrations of low-income families. The grants would be to State health agencies, to the State agencies administering the crippled children's program, to any school of medicine (with appropriate participation by a school of dentistry), and any teaching hospital affiliated with such school, to pay not to exceed 75 percent of the cost of the project. Projects would have to provide screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, including dental services, with treatment, correction of defects, and aftercare limited to children in low-income families.

An appropriation of \$15 million would be authorized for the fiscal year ending June 30, 1966; \$35 million for the fiscal year ending June 30, 1967; \$40 million for the fiscal year ending June 30, 1968; \$45 million for the fiscal year ending June 30, 1969; and \$50 million for the fiscal year ending June 30, 1970.

The bill would further authorize an appropriation of \$500,000 each for the fiscal years ending June 30, 1966, and June 30, 1967, for grants for studies of resources, methods and practices for prevention and diagnosis of emotional illness in children and for treatment and rehabilitation of emotionally ill children.

**Mental retardation planning:** Title XVII of the act would be amended to authorize grants totaling \$2,750,000 for each of 2 fiscal years—the fiscal year ending June 30, 1966, and fiscal year ending June 30, 1967. The funds would be available during the 3-year period July 1, 1965, to June 30, 1968. The grants would be for the purpose of assisting States to implement and followup on plans and other steps to combat mental retardation authorized under this title of the Social Security Act.

#### C. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS

##### 1. Benefit changes

###### (a) 7-percent Across-the-Board Increase in Old-Age, Survivors, and Disability Insurance Benefits

The bill provides a 7-percent across-the-board benefit increase, effective retroactively beginning with benefits for January 1965, for the 20 million social security beneficiaries on

the rolls (with a guaranteed \$4 a month minimum increase for retired workers who are age 65 or over in the first month for which they are paid the increased benefit).

Monthly benefits for workers who retire at or after 65 would be increased to a new minimum of \$44 (now \$40) and to a new maximum of \$135.90 (now \$127). In the future, creditable earnings under the increase in the contribution and benefit base to \$6,600 a year (now \$4,800) would make possible a maximum benefit of \$168.

The maximum amount of benefits payable to a family on the basis of a single earnings record would be related to the worker's average monthly earnings at all earnings levels. Under present law, there is a \$254 limit on family benefits which operates over a wide range of average monthly earnings. Under the bill the highest family maximum eventually would be \$368.

###### (b) Payment of Child's Insurance Benefits to Children Attending School or College After Attainment of Age 18 and Up to Age 22

H.R. 6675 includes the provision adopted by both House and Senate last year which would continue to pay a child's insurance benefit until the child reaches age 22, provided the child is attending a public or an accredited school, including a vocational school or a college, as a full-time student after he reaches age 18. Children of deceased, retired, or disabled workers would be included. No mother's or wife's benefits would be payable if the only child in the mother's care is one who has attained age 18 but is in school.

This provision will be effective January 1, 1965. It is estimated that 295,000 children will be eligible for benefits for September 1965, when the school year begins.

###### (c) Benefits for Widows at Age 60

The bill would provide the option to widows of receiving benefits beginning at age 60, with the benefits payable to those who claim them before age 62 being actuarially reduced to take account of the longer period over which they will be paid. Under present law, full widow's benefits and actuarially reduced worker's and wife's benefits are payable at age 62.

This provision, adopted by both Houses of Congress last year, would be effective for the second month after the month of enactment. It is estimated that 185,000 widows will claim benefits during the first year of operation under this provision.

###### (d) Amendment of Disability Program

(i) **Definition of disability:** The bill would eliminate the present requirement that a worker's disability must be expected to be of long continued and indefinite duration, and instead provide that an insured worker would be eligible for disability benefits if he has been under a disability which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 calendar months. Benefits payable by reason of this change would be paid for the second month following the month of enactment. An estimated 60,000 people—disabled workers and their dependents—will become immediately eligible for benefits as a result of this change.

(ii) **Disability benefits offset provision:** The bill provides that the social security disability benefit for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings under social security prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in national average earnings levels. The off-

set provision will be applicable with respect to benefits payable for months after December 1965 on the basis of disabilities commencing after June 1, 1965.

###### (iii) Blindness as a disabling factor:

(a) **Young workers who are blind and disabled:** Establishes alternative insured status requirement for workers disabled before age 31 of one-half of the quarters elapsing after age 21 up to the point of disability with a minimum of six quarters. [For insured status under existing law, an individual (1) must have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability begins and (2) must be fully insured.] To qualify for this alternative the worker would have to meet the statutory definition of blindness for the disability "freeze." (Central visual acuity of 5/200 or less in the better eye with use of correcting lens. An eye in which the visual field is reduced to 5 degrees or less concentric contraction shall be considered as having a visual acuity of 5/200 or less.) Worker will, however, have to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.

(b) **Older workers who are blind and disabled:** Provides that those individuals aged 55 or over who meet the statutory definition of blindness in the disability "freeze" could qualify for cash benefits on the basis of their inability to engage in their past occupation or occupations. Their benefits would not be paid, however, if they were actually engaging in any substantial gainful activity.

(iv) **Rehabilitation services:** Reimbursement from the social security trust funds to State vocational rehabilitation agencies would be provided for the cost of rehabilitation services furnished to individuals who are entitled to disability insurance benefits or to disabled child's benefits. The total amount of the funds that could be made available from the trust funds for purposes of reimbursing State agencies for such services could not, in any year, exceed 1 percent of the social security disability benefits paid in the previous year.

(v) **Entitlement to disability benefits after entitlement to benefits payable on account of age:** Under the bill, a person who becomes entitled before age 65 to a benefit payable on account of old age could later, before he reaches age 65, become entitled to disability insurance benefits.

(vi) **Allocation of contribution income between OASI and DI trust funds:** Under the bill, an additional 0.2 percent of taxable wages and 0.15 percent of taxable self-employment income would be allocated to the disability insurance trust fund, bringing the total allocation to 0.70 percent and 0.525 percent, respectively, beginning in 1966.

###### (e) Benefits to Certain Persons at Age 72 or Over

A provision approved by the House and Senate last year, which would liberalize the eligibility requirements by providing a basic benefit of \$35 to certain elderly persons with a minimum of three quarters of coverage acquired at any time since the beginning of the program in 1937 was adopted. To accomplish this, a new concept of "transitional insured status" is provided. Present law requires a minimum of six quarters of coverage in employment or self-employment.

(i) **Men and women workers:** Under the "transitional insured status" provision a worker could qualify for benefits at age 72 if he had one quarter of coverage for each year that elapsed after 1950 and up to the year in which he reached age 65 (62 for women), with a minimum of three quarters. Those quarters could have been acquired at any time since the inception of the program in 1937. Wives of workers who qualify under this provision would be eligible for benefits if they reached age 72 before 1969. For work-

ers who reached age 65 (62 for women) after 1956, the quarters of coverage requirement merges with the present minimum requirement of six quarters.

The following table illustrates the operation of the "transitional insured status" provision for workers.

*Transitional insured status requirements with respect to workers benefits*

Men		Women	
Age (in 1965)	Quarters of coverage required	Age (in 1965)	Quarters of coverage required
76 or over.....	3.....	73 or over.....	3.
75.....	4.....	72.....	4.
74.....	5.....	71.....	5.
73 or younger....	6 or more..	70 or younger..	6 or more.

<sup>1</sup> Benefits will not be payable, however, until age 72.

*Transitional insured status requirements with respect to widow's benefits*

Year of husband's death (or attainment of age 65, if earlier)	Present quarters required	Proposed quarters required for widow attaining age 72 in—		
		1966 or before	1967	1968
1954 or before.....	6.....	3.....	4.....	5.
1955.....	6.....	4.....	4.....	5.
1956.....	6.....	5.....	5.....	5.
1957 or after.....	6 or more..	6 or more..	6 or more..	6 or more.

(iii) Basic benefits: Men and women workers who would be eligible under the above-described provisions for workers would receive a basic benefit of \$35 a month. A wife who is aged 72 or over (and who attains that age before 1969) would receive one-half of this amount, \$17.50. No other dependents' basic benefits would be provided under these provisions.

Widows would receive \$35 a month under the above-described provision.

These provisions would become effective for the second month after the month of enactment, at which time an estimated 355,000 people would be able to start receiving benefits.

(f) Retirement Test

The bill would liberalize the retirement test provision in present law under which benefits are decreased in relation to a beneficiary's earnings over \$1,200 in a year. Under existing law, the first \$1,200 a year is fully exempted, and there is a \$1 reduction in benefits for each \$2 of annual earnings between \$1,200 and \$1,700 and for each \$1 of earnings thereafter. Under the bill, the first \$1,500 a year would be fully exempted and there would be a \$1 reduction in benefits for each \$2 of earnings between \$1,500 and \$2,700 and for each \$1 of earnings thereafter. In addition, the amount of earnings a beneficiary may have in a month and get full benefits for that month regardless of his annual earnings would be raised from \$100 to \$125. These changes are effective for taxable years ending after 1965.

Also exempted are certain royalties received in or after the year in which a person reaches age 65, from copyrights and patents obtained before age 65, from being counted as earnings for purposes of the retirement test, effective for taxable years beginning after 1964.

For 1966, an estimated 750,000 persons—workers and dependents—either will receive more benefits under these provisions than they would receive under present law, or will receive some benefits where they would receive no benefits under present law.

(g) Wife's and Widow's Benefits for Divorced Women

The bill would authorize payments of wife's or widow's benefits to the divorced wife of a retired, deceased, or disabled

(ii) Widows: Any widow who attains age 71 in or before 1965, if her husband died or reached age 65 in 1954 or earlier, could get a widow's benefit when she is aged 72 or over if her husband had at least three quarters of coverage. Present law requires six quarters. If the husband of such a widow died or reached 65 in 1955, the requirement would be four quarters. If he died or reached 65 in 1956, the requirement would be five quarters. If he died or reached 65 in 1957 or later, the minimum requirement would be six quarters or more, the same as present law.

For widows reaching age 72 in 1967 and 1968, there is a "grading-in" of the quarters of coverage requirement; which would be four or five quarters of coverage, respectively. Widows reaching age 72 in 1969 or after would be subject to the requirements of existing law of six or more quarters of coverage.

The table below sets forth the requirements as to widows:

State inheritance laws if the father was supporting the child or had a legal obligation to do so. Under present law, whether a child meets the definition for the purpose of getting child's insurance benefits based on his father's earnings depends on the laws applied in determining the devolution of interstate personal property in the State in which the worker is domiciled. This provision would be effective for the second month after the month of enactment. It is estimated that 20,000 individuals (children and their mothers) will become immediately eligible for benefits under this provision.

(ii) Also an exception is provided so that child's benefits would not terminate if child is adopted by his brother or sister after death of worker. Under present law benefits terminate unless he is adopted by his step-parent, grandparent, uncle, or aunt after death of worker on whose earnings record he is getting benefits.

2. Coverage changes

The following coverage provisions were included:

(a) Physicians and Interns

Self-employed physicians would be covered for taxable years ending on or after December 31, 1965. Interns would be covered beginning on January 1, 1966.

(b) Farmers

Provisions of existing law with respect to the coverage of farmers would be amended to provide that farm operators whose annual gross earnings are \$2,400 or less (instead of \$1,800 or less as in existing law) can report either their actual net earnings or 66 2/3 percent (as in present law) of their gross earnings. Farmers whose annual gross earnings are over \$2,400 would report their actual net earnings if over \$1,600, but if actual net earnings are less than \$1,600, they may instead report \$1,600. (Present law provides that farmers whose annual gross earnings are over \$1,800 report their actual net earnings if over \$1,200, but if actual net earnings are less than \$1,200, they may report \$1,200.)

(c) Cash Tips

Cash tips received after 1965 by an employee in the course of his employment will be covered as wages for social security and income-tax withholding purposes, except that employers will not be required to pay the social security employer tax on the tips. However, for tips to be subject to withholding for either income tax or social security tax purposes, the tips must be paid in cash and must amount to more than \$20 a month. The tips still represent compensation even though less than \$20 a month or even though paid in other than cash, but would not, under either of these conditions, be subject to withholding for income tax or social security tax purposes.

The employee will be required to give his employer a written report of his tips within 10 days after the end of the month in which the tips are received (or at such other times as is provided by regulations); to the extent that unpaid wages due an employee and in the possession of the employer are insufficient to pay the employee social security tax due on the tips, the employee will be permitted (but not required) to make available to the employer sufficient funds to pay the employee social security tax. To the extent that the employer does not have sufficient wage payments to offset the required withholding, he notifies the employee and the employee reports this amount to the Government directly.

The employer will be required to withhold the employee social security tax only on tips reported to him within the specified time and for which he has sufficient funds of the employee out of which to pay the tax. He will be liable for withholding income tax on only those tips that are reported to him within 10 days after the end of the month in which

worker if she had been married to the worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by a court to make) a substantial contribution to her support when he became entitled to benefits, became disabled, or died. H.R. 6675 would also provide that a wife's benefits would not terminate when the woman and her husband are divorced if the marriage has been in effect for 20 years. Provision is also made for the reestablishment of benefit rights for a divorced wife, a widow, or a surviving divorced wife who remarries and the subsequent marriage ends in divorce, annulment, or in the death of the husband. These changes are effective for the second month following the month of enactment.

(h) Continuation of Widow's and Widower's Insurance Benefits After Remarriage

Under present law, a widow's and widower's benefits based on a deceased worker's social security earnings record generally stop when the survivor remarries. The bill provides that benefits would be payable to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit would be equal to 50 percent of the primary insurance amount of the deceased spouse (if that amount is higher than her wife's benefit as a result of the remarriage) rather than 82 1/2 percent of that amount, which is payable to widows and widowers who are not remarried.

(i) Adoption of Child by Retired Worker

The provisions relating to the payment of benefits to children who are adopted by old-age insurance beneficiaries would be changed to require that, where the child is adopted after the worker becomes entitled to an old-age benefit, (1) the child must be living with the worker (or adoption proceedings have begun) in or before the month when application for old-age benefits is filed; (2) the child must be receiving one-half of his support for the entire year before the worker's entitlement; and (3) the adoption must be completed within 2 years after the worker's entitlement.

(j) Definition of Child

(i) A child would be paid benefits based on his father's earnings without regard to whether he has the status of a child under

the tips were received, and then only to the extent that he can collect the tax (at or after the time the tips are reported to him and before the close of the calendar year in which the tips were received) from unpaid wages (not including tips), or from funds turned over to him for that purpose remaining after an amount equal to the amount due for the social security tax has been subtracted.

As indicated, these amendments apply with respect to tips received by employees in 1966 and subsequent years.

(d) State and Local Government Employees  
Several changes would facilitate coverage in this area:

(i) Added Alaska as a State which can provide coverage for State and local employees under the split-system provision; also validated the past coverage of certain school districts in Alaska.

(ii) Reopened until July 1, 1967, a provision of law permitting the State of Maine to treat teaching and nonteaching employees actually in the same retirement system as though they were in separate retirement systems for social security coverage purposes.

(iii) Authorized the State of Iowa and the State of North Dakota to modify their coverage agreements to exclude from social security coverage certain service performed in any calendar quarter in the employ of a school, college, or university by a student if the remuneration for such service is less than \$50.

(iv) Authorized another opportunity, through 1966, for the election of coverage by State and local government retirement system members who originally did not choose coverage under the divided retirement system provision, under which current employees have a choice of coverage.

(v) Authorized California to modify its coverage agreement to extend coverage to certain hospital employees whose positions were removed from a State or local government retirement system. The State will have until the end of the sixth month after the month of enactment to take action under this provision.

(e) Exemption of Certain Religious Sects  
Members of certain religious sects who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of such sects could be exempt from the social security tax on self-employment income upon application accompanied by a waiver of benefits.

(f) Nonprofit Organizations  
Nonprofit organizations, and their employees who concur, could elect social security coverage effective retroactively for a period up to 5 years (rather than 1 year, as under present law). Also, wage credit could be given for the earnings of certain employees of nonprofit organizations who were erroneously reported for social security purposes.

(g) District of Columbia Employees  
The bill provides for social security coverage of certain employees of the District of Columbia (primarily substitute school-teachers).

(h) Ministers  
Social security credit could be obtained for the earnings of certain ministers which were reported but which cannot be credited under present law. Also the bill reopened until April 15, 1966, the period (which expired on April 15, 1965) during which ministers who have been in the ministry for at least 2 years may file waiver certificates electing social security coverage.

3. Miscellaneous

(a) Filing of Proof

The period of filing of proof of support for dependent husband's, widower's, and parent's benefits, and for filing application for lump-sum death payments where good cause exists for failure to file within the initial 2-year period, is extended indefinitely.

(b) Automatic Recomputation of Benefits

Benefits of people on the rolls would be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year and that would increase his benefit amount. Under existing law there are various requirements that must be met in order to have benefits recomputed, including filing of an application and earnings of over \$1,200 a year after entitlement.

(c) Military Wage Credits

The present provision authorizing reimbursement of the trust funds out of general revenue for gratuitous social security wage credits for servicemen is revised so that such payments will be spread uniformly over the next 50 years.

(d) Extension of Life of Applications

The bill liberalizes the requirement in existing law that an application for monthly insurance benefits be valid for only 3 months after the date of filing, and for disability benefits 3 months before the beginning of the waiting period. The bill would allow an application to remain valid up until the time the Secretary makes a final decision on the application.

(e) Authorization for One Spouse To Cash a Joint Check

The Secretary would be authorized to make a temporary overpayment so as to permit a surviving spouse to cash a benefit check issued jointly to a husband and wife if one of them dies before the check is negotiated; any overpayment resulting from the cashing of the joint check would be recovered.

(f) Attorney's Fees

A provision is incorporated which would permit a court that renders a judgment favorable to a claimant in an action arising under the social security program to set a reasonable fee (not in excess of 25 percent of past due benefits which become payable by reason of the judgment) for an attorney who successfully represented the claimant. The Secretary would be permitted to certify payment of the fee to the attorney out of such past due benefits.

(g) Waiver of 1-year Marriage Requirement

The bill provides an exception to the 1-year duration requirement as to social security benefits for any widow, wife, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child.

(h) Social Security Records

The Social Security Administration is required to furnish the address to help locate a deserting parent or husband to a welfare agency or court on condition that information be transmitted through a welfare agency, that an actual public assistance case be involved and a court order for support have been issued, and that all nondisclosure provisions be complied with.

4. Financing of social security programs

Earnings base: The bill provides an earnings base of \$6,600 effective in 1966. The earnings base in existing law is \$4,800.

The following are the tax rates for the old-age, survivors, and disability insurance system:

OASDI tax rates

[In percent]

Years	Employer-employee rate (combined)	Self-employed rate
1966.....	7.7	5.8
1967-68.....	7.8	5.9
1969-72.....	8.8	6.6
1973 and after.....	9.7	7.0

The allocation to the disability insurance trust fund is set at 0.70 percent of taxable wages and 0.525 of self-employment income. The figures under existing law are 0.50 and 0.375 percent, respectively.

5. Number of people immediately affected by OASDI changes in first full year, 1966

Provision:

7-percent benefit increase (\$4 minimum in primary benefits).....	20,000,000
Reduced benefits for widows at age 60.....	185,000
Benefits for people aged 72 and over with limited periods in covered work.....	355,000
Improvements in benefits for children:	
Benefits for children to age 22 if in school.....	295,000
Broadened definition of "child".....	20,000
Modifications in disability provisions:	
Change in definition.....	60,000
Liberalized requirements for benefits for the blind.....	7,000
Modification of earnings test.....	1,750,000

<sup>1</sup> Number affected in 1966; modification does not become effective until then.

D. PUBLIC ASSISTANCE AMENDMENTS

1. Increased assistance payments

The Federal share of payments under all State public assistance programs is increased a little more than an average of \$2.50 a month for the needy aged, blind, and disabled and an average of about \$1.25 for needy children, effective January 1, 1966. This is brought about by revising the matching formula for the needy aged, blind, and disabled (and for the adult categories in title XVI) to provide a Federal share of \$31 out of the first \$37 (now twenty-nine thirty-fifths (29/35) of the first \$35) up to a maximum of \$75 (now \$70) per month per individual on an average basis. The matching formula is revised for aid to families with dependent children so as to provide a Federal share of five-sixth (5/6) of the first \$18 (now fourteen-seventeenth (14/17) of the first \$17) up to a maximum of \$32 (now \$30). A provision is included so that States will not receive additional Federal funds except to the extent they pass them on to individual recipients.

Effective January 1, 1966. Cost: About \$150 million a year.

2. Tubercular and mental patients

The exclusion was removed from Federal matching in old-age assistance and medical assistance for the aged programs (and for combined program, title XVI) as to aged individuals who are patients in institutions for tuberculosis or mental diseases or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional

Federal money. Provides that States will receive not more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs. Also removes restrictions as to Federal matching for needy blind and disabled who are tubercular or psychotic and are in general medical institutions. Effective January 1, 1966. Cost about \$75 million a year.

**3. Aid to families with dependent children in school**

A provision, optional with the States, allows them to continue making payments to dependent children who have attained age 18 but continue in school up to age 21. Present law calls for regular attendance at a high school or vocational school. The bill would extend this to attendance at a school, college, or university.

**4. Protective payments to third persons**

The bill includes a provision for protective payments to third persons on behalf of recipients of old-age assistance, aid to the blind, aid to the permanently and totally disabled, and those on combined adult program (title XVI), unable to manage their money because of physical or mental incapacity. Effective January 1, 1966.

**5. Income exemptions under public assistance**

**(a) Old-Age Assistance**

The earnings exemption under the old-age assistance program (and aged in combined program) is increased so that a State may, at its option, exempt the first \$20 (now \$10) and one-half of the next \$60 (now \$40) of a recipient's monthly earnings. Effective October 1, 1965. Cost: About \$1 million first year.

**(b) Aid to Families With Dependent Children**

The bill allows the State, at its option, to disregard up to \$150 per family per month of earned income of any dependent children under the age of 18 in the same home, but no child could have earnings of more than \$50 per month exempted. Effective July 1, 1965.

**(c) Aid to the Permanently and Totally Disabled**

An exemption of earnings is added so that, at the option of the State, the first \$20 per month of earnings of recipients and one-half of the next \$60 could be exempted. In addition, any additional income and resources could be exempted as part of an approved plan to achieve self-support during the time the recipient was undergoing vocational rehabilitation. Effective October 1, 1965.

**(d) Income Exemption for All Public Assistance Programs**

Allowed States, at their option, to disregard not more than \$5 per month per recipient of any income in all five public assistance programs. Effective October 1, 1965.

**(e) Old-Age, Survivors, and Disability Insurance (Retroactive Increase)**

States would be allowed to disregard so much of the OASDI benefit increase (including the children in school after 18 modification) as is attributable to its retroactive effective date.

**(f) Economic Opportunity Act Earning Exemption**

H.R. 6675 also provides a grace period for action by States that have not had regular legislative sessions, whose public assistance statutes now prevent them from disregarding earnings of recipients received under titles I and II of the Economic Opportunity Act.

**(g) Income Exempt Under Another Assistance Program**

A provision is added so that any amount of income which is disregarded in determining eligibility for a person under one of the public

assistance programs shall not be considered in determining the eligibility of another individual under any other public assistance program.

**6. Uniform matching**

The bill permits a State that has a medical assistance program under title XIX to claim Federal sharing in total expenditures for money payments under other titles, under the same formula used for determining the Federal share for medical assistance under title XIX.

**7. Definition of medical assistance for aged**

The definition of medical assistance for the aged is modified so as to allow Federal sharing as to old-age assistance recipients for the month they are admitted to or discharged from a medical institution.

**8. Judicial review of State plan denials**

The bill provides for judicial review of the denial of approval by the Secretary of Health, Education, and Welfare of State public assistance plans and of his action under such programs for noncompliance with State plan conditions in the Federal law.

**E. ACTUARIAL DATA RELATING TO BILL**

**TABLE 1.—Summary of 1st-year costs under H.R. 6675**

[In millions of dollars]

	Trust funds		
	House	Senate	Conference
Health care programs:			
Basic hospital insurance.....	2,190	2,403	2,210
Voluntary supplementary medical.....	1,600	1,600	900
MAA liberalization.....			
Total.....	2,790	3,003	2,810
OASDI:			
7-percent benefit increase.....	1,430	1,470	1,470
Child school benefit.....	195	195	195
Broader definition of child.....		10	10
Child disabled at 18 to 21.....		10	
Blind disability.....		120	5
Reduced benefits at 60.....	165	590	165
Transitional benefits at 72.....	140	140	140
Disability definition.....	105	40	40
Retirement test.....	65	590	295
Total.....	2,100	3,165	2,320
Public assistance and child health:			
Increase in formula.....			
TB and mental exclusion.....			
Coverage of MA.....			
Maternal and child health.....			
Miscellaneous.....			
Total.....			
Income tax changes.....			
Total, all programs.....	4,890	6,168	5,130

	General Treasury		
	House	Senate	Conference
Health care programs:			
Basic hospital insurance.....	275	295	290
Voluntary supplementary medical.....	600	600	600
MAA liberalization.....	200	200	200
Total.....	1,075	1,095	1,090

**TABLE 1.—Summary of 1st-year costs under H.R. 6675—Continued**  
[In millions of dollars]

	General Treasury		
	House	Senate	Conference
OASDI:			
7-percent benefit increase.....			
Child school benefit.....			
Broader definition of child.....			
Child disabled at 18 to 21.....			
Blind disability.....			
Reduced benefits at 60.....			
Transitional benefits at 72.....			
Disability definition.....			
Retirement test.....			
Total.....			
Public assistance and child health:			
Increase in formula.....	150	150	150
TB and mental exclusion.....	75	75	75
Coverage of MA.....		50	40
Maternal and child health.....	60	61	61
Miscellaneous.....	6	13	13
Total.....	291	349	339
Income tax changes.....	-82		-97
Total, all programs.....	1,284	1,444	1,332
Grand total:			
House.....		6,174	
Senate.....		7,612	
Conference.....		6,462	

<sup>1</sup> Contributions of participants.

**TABLE 2**  
**OASDI TAX RATES**  
[In percent]

Years	Employer-employee rate			Self-employed rate, conference
	House	Senate	Conference	
1966.....	8.0	7.7	7.7	5.8
1967-68.....	8.0	7.7	7.8	5.9
1969-72.....	8.8	9.0	8.8	6.6
1973 and after.....	9.6	9.9	9.7	7.0

**HI TAX RATES**

Years	House	Senate	Conference	Self-employed rate, conference
1966.....	0.7	0.65	0.7	0.35
1967-70.....	1.0	1.0	1.0	.50
1971-72.....	1.0	1.1	1.0	.50
1973-75.....	1.1	1.3	1.1	.55
1976-79.....	1.2	1.4	1.2	.60
1980-86.....	1.4	1.6	1.4	.70
1987 and after.....	1.6	1.7	1.6	.80

**COMBINED OASDI AND HI TAX RATES AND TAXES UNDER CONFERENCE AGREEMENT**

Years	Employer-employee		Self-employed	
	Rate	Maximum amount	Rate	Maximum amount
1966.....	8.4	\$554.40	6.15	\$405.90
1967-68.....	8.8	580.80	6.40	422.40
1969-72.....	9.8	646.80	7.10	468.60
1973-75.....	10.8	712.80	7.65	498.30
1976-79.....	10.9	719.40	7.60	501.60
1980-86.....	11.1	732.60	7.70	508.20
1987 and after.....	11.3	745.80	7.80	514.80

TABLE 3.—Changes in actuarial balance of OASDI system, expressed in terms of estimated level-cost as percentage of taxable payroll

Item	OASI	DI	Total
Actuarial balance of previous system	+0.14	-0.13	+0.01
Earnings base increase to \$6,600	+ .51	+ .04	+ .55
Revised contribution schedule	+ .09	+ .20	+ .29
Extensions of coverage	+ .01		+ .01
7-percent benefit increase	- .59	- .05	- .64
Earnings test liberalization	- .14		- .14
Child's benefits to age 22 if in school	- .10	- .02	- .12
Reduced widow's benefits at age 60			
Disability definition revision		- .01	- .01
Transitional insured status at age 72	- .01		- .01
Broader definition of "child"	- .01		- .01
Total effect of changes	- .24	+ .16	- .08
Actuarial balance of bill	- .10	+ .03	- .07

TABLE 4.—Actuarial balance of HI system, expressed in terms of estimated level-cost as percentage of taxable payroll

	Level-cost (percent)
Hospital and extended care facility benefits	1.19
Outpatient diagnostic benefits	.01
Home health service benefits	.03
Total benefits	1.23
Contributions	1.23
Actuarial balance	0.00

Prepared by Robert J. Myers, Chief Actuary, Social Security Administration, Department of Health, Education, and Welfare, July 21, 1965.

Mr. Speaker, I yield 15 minutes to the gentleman from Wisconsin [Mr. BYRNES].

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. BYRNES of Wisconsin. Mr. Speaker, the gentleman from Arkansas [Mr. MILLS], the chairman of the Committee on Ways and Means and the chairman of the conference, has outlined the details of the conference agreement. I will not go into those details. I will speak in more general terms.

When one considers what we had before us in the conference, Mr. Speaker—namely, the bill that passed the House last April with over 500 amendments adopted in the Senate—your managers did a magnificent job. We bring back to you what is basically the bill as passed by the House of Representatives. When the bill was before us in April, it was referred to as a monumental bill. I agreed with that description at that time, and I would say that it is still a monumental bill.

Mr. Speaker, as I said many times, no Government program can be static. The old-age, survivors, and disability insurance system is no exception. We must constantly strive to improve the system, to correct inequities, and to make such changes as are deemed wise and appropriate. This bill, as it relates to the basic and current old-age and survivors disability insurance system, represents an improvement of that basic system. I am in agreement with a large part of this bill and particularly as it relates to that phase. As I pointed out

when it was before the House last April, a good share of the bill was adopted on a noncontroversial basis. It had agreement of practically all members of the Committee on Ways and Means and, as the vote last April would indicate, it had practically unanimous agreement in this House. As far as my position is concerned, I would like to claim a little credit for a number of the items in the bill because of the fact that I proposed them in the first instance.

The voluntary contributory insurance system for medical services, the so-called part B of the medical program, is taken from the bill that I introduced last February. The program permitting all taxpayers to deduct for income tax purposes one-half of the cost of health insurance without regard to the 3-percent limit on medical expenses, I first proposed in the 87th Congress. The repeal of the curb on the deductibility of medical expenses which I proposed in the 88th Congress is now in this bill. The liberalization of the requirement for eligibility of persons over 72 years of age for the basic benefits is a modification of a proposal I first made in the 87th Congress.

But while I agree with many of the changes made in this bill I must take this occasion to sound a note of caution. There is a limit to the burden of benefits and responsibilities that can be imposed on our social security system.

I do not believe that this is the time to again debate the issues involved in imposing a hospitalization program on the old-age and survivors disability insurance system. This particular matter, as far as a basic proposition is concerned, was not a matter in conference. We did debate it. In fact, we debated it for a number of years. The issue came to a head in this House last April. At that time I proposed an alternative means of providing for the hospitalization and medical needs of our older people. And I pointed out what I thought were the dangers in the course that was being pursued by embodying it in the old-age and survivors insurance system. But, Mr. Speaker, a majority in both this House and in the other body decided to pursue the course of embodying hospitalization benefits in the old-age and survivors insurance system. I still believe the majority is in error and I think the country will come to regret having pursued this course.

But the die has been cast. There is no difference between the House and the Senate on that issue. It is not a matter in conference. It is not a matter in dispute before us today, as far as this particular report is concerned. I think, Mr. Speaker, the job now before us is to try to make the system that is established under this bill work as best it can. There will be no advantage to anyone in trying to sabotage the program. The program contains enough dangers to the basic social security system and to the quality of health in this country without adding additional problems and dangers. I would therefore at this point urge all who have anything to do with the administration of the program or with the health needs of our people, if they have

any hatchets to bury them, and if they have any disagreements or animosities from the past that they bury them; and that all do their utmost to make the program work as well as possible.

When I warn of the limitations of the social security system, and the burdens we place on it, I am not only thinking now with reference to this new burden that we are placing on it of hospitalization, but I am thinking also of other changes that we have made which increase the burdens on the system and that are made in this legislation. And, I would say to you, Mr. Speaker, and to my colleagues that I am also speaking of other proposals that are being made constantly to broaden the scope and the burdens of this program. The system itself can be destroyed. It can be destroyed by the tax burden that must be imposed in order to carry the benefits of the program.

Under this bill and under the law as it will be when it is signed by the President, all of our people, and those least able, are going to bear an increased tax burden.

Mr. Speaker, we will shortly have before us a conference report dealing with housing. It was first proposed that we subsidize housing for middle-income levels, or people in the income level of \$5,000 or \$6,000 or \$7,000. Let us look at what this program is going to impose on those people. The person with \$6,600 in wages will be paying \$277 in social security taxes. That is irrespective of the number of children he has or the burdens of that family. There are no deductions; there are no exemptions. That represents a \$103 increase over what he is paying today. He is going to pay \$103 more next year in social security taxes. Two and one-half years from now, which is not very long, the tax will be \$323, or an increase of 86 percent over his present social security taxes.

Mr. Speaker, the self-employed tax on \$6,600 will go up to \$405 next year and to \$468 two years later, an increase of \$209 in social security taxes in less than 2½ years. I say to you we had better stop and be cautious of what we might do to this program by overburdening it, because it does have its limitations, just as our people have a limitation upon what they can pay in payroll taxes.

Let us remember, Mr. Speaker, that the old-age, disability, and survivors insurance program is the system upon which our people rely as a floor of protection in old age, in disabilities, and for the protection of their survivors in case of their decease. Mr. Speaker, we in the Congress have, as trustees of that system, the responsibility of seeing that their trust and their confidence, and their dependence upon this system in the future, is not misplaced and that we will do nothing that will jeopardize the capability of the system to meet the commitments that have been undertaken insofar as the older people and our disabled and their survivors are concerned.

That, Mr. Speaker, can represent an awesome responsibility.

Mr. Speaker, as we move into this monumental change in that system, let us be cautious. And let us remember

that we have that responsibility as we move and advocate any change in the future. Let me put the responsibility for the welfare of this system right where it belongs. It rests on the Congress of the United States, because we are the trustees of this system. It will either continue as a good, sound, and reliable program, or it will fall, depending on how we carry out our responsibility.

[Mr. DON H. CLAUSEN addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. MILLS. Mr. Speaker, I yield 5 minutes to the gentleman from Missouri [Mr. CURTIS].

(Mr. CURTIS asked and was given permission to revise and extend his remarks.)

Mr. CURTIS. Mr. Speaker, first let me concur in the remarks made by our able chairman in reporting to the House what the conferees did, and also in the remarks of my colleague from Wisconsin [Mr. BYRNES], the ranking minority member, and echo again a statement he made in which I agree very deeply that now that this is going to become law, indeed, those of us who thought it was not good and felt this is unsound, it is still our responsibility to do everything we can within our power to prove ourselves to be wrong, and to make this work.

I have several points I want to make, and I hope to be able to get through all of them.

First I want to point out I signed the conference report, although I am going to advocate to my colleagues, those who voted against the bill in the House, that I still feel the bill itself is essentially unsound, and therefore shall vote against the conference report if it comes to a vote. It is important to explain the difference between the responsibility that a Member assumes as a conferee, the responsibilities as I see them in working out the differences between the House and Senate versions, and the responsibilities a Member has in his primary capacity of representing the people.

I might say to some of my self-styled liberal friends in relation to what happened yesterday that you do not change your basic position on principle because of the expediency at the time. If you believe in free debate and the opportunity of those who disagree with you to have the opportunity to debate a matter fully and offer amendments, you do not alter your position simply because you gain an important advantage today. So, as a conferee, my responsibility as I saw it was to do the best I could to work out the best version. So I signed the conference report. Because in essence the House version prevailed and what Senate amendments were agreed to, with a few exceptions, improved the bill.

Second, a portion of this bill, which has to do with improvement of the social security system, the OASDI, and the second part of social security, that which has to do with welfare programs, aid to the blind, old-age assistance and aid to dependent children; those are parts of the bill which the House passed last year and were parts of the bill the Sen-

ate passed last year but the administration ordered to be killed. There was no disagreement on these measures then or now.

Let the responsibility of this rest where it belongs—their not becoming law in the year 1964 rests on the administration that insisted on tying those beneficial programs on which there was no disagreement of a fundamental nature to this very controversial program of health care for the aged. Because the old people, the dependent children, the blind and others, could have had these benefits last year, so people on OASI could have had these benefits last year. However, the administration felt they could not get through the controversial program on its own merits and insisted upon pushing through the controversial programs, on which there was disagreement about health care. They tied that with something that was collateral and not controversial.

This is the reason for the situation today. We have had to wait for these controversial amendments to be added to the good parts of this bill.

There is the third part that has to do with health care for the aged. There are some features in this which are good. Indeed, the chairman mentioned the third part of this three-layer cake which he did not name, extension of the Kerr-Mills Act. It was eldercare. Yes, it is here, and in my judgment that has been and still remains the intelligent and basically sound method to move forward in taking care of this problem of health care for the aged.

Now the points I want to make are in the controversial area. The action that has been taken by the Congress is against the advice of the overwhelming majority of almost all professional groups in the health field—the medical profession, the hospital and home nursing professions and the health insurance professions. We are moving in this area against the overwhelming advice of those who have so nobly advanced our health care in our society to the point where we actually have created new problems. These are the professions that have created the problems. People are living 10 to 15 years longer—not because of a failure of the health care system in our society. Quite to the contrary. It is because of its successes. This becomes quite important. I agree it might be possible that those responsible for creating the problems that success has created might not be in a position to solve these new problems. But I think we should think a long time before we ride over these groups. We should contemplate in the efforts to ride over them the conduct of a nasty campaign of denigration, which has afflicted our society for years, to try to create the impression that those in the medical profession or those in the health field are unconcerned about health care for the aged and unconcerned about health care for our entire society.

I would point out that—what we have done is to take a system that has proved successful for 85 percent of our people, including our older people, in order to solve the problems of the 15 percent.

I would point out the problems of the

15 percent that we see in health care for the aged are not peculiar to the field of health care. These same problems exist with these people in the field of housing. They exist in matters of nutrition. They exist in all aspects of those needs that we know are necessary to sustain a life of subsistence if not one that is bountiful.

So we are in the process of radically changing this system which has proved so successful in the great majority of our people. What a burden it places on those innovators and on the Congress to have moved to change radically this system which itself is still so full of vitality and capable of progressive improvement.

I want to point out some of the radical changes. One of them is that we have made the system compulsory through the powers of Government. And I would argue that we have done that in an unconstitutional fashion if people would regard the Constitution and the proper interpretation of the Constitution. Here we are in effect saying—a person who contributes \$66 a year, using a 1-percent figure on a \$6,600 base—gets the identical services and the identical policy that a person who contributes only \$30 gets. This we have never done before. This is only to point up one aspect of the unconstitutionality of using a compulsory system in order to move forward to hit at this problem that our 15 percent may have in this area.

Now I would also point out that we have basically altered our welfare system. The chairman of our committee, the gentleman from Arkansas [Mr. MILLS], for years pointed out that never have we used general revenues for welfare matters without applying a needs test because, first, it was a restriction on what we did in this area—otherwise, there is no restriction, no discipline; second, there is a real question of whether the Federal Government under the Constitution can be used to spread wealth in this fashion. So we have altered our basic welfare system, which I believe is going to create very serious problems for Congresses of the future.

Not only that, but we have altered the basic social security system, OASDI. Under this system, we have given our people cash. This was a great advancement forward over the old-age assistance, under which services were rendered and cash was budgeted. We have moved in this bill to a combination cash-and-service program.

What does it mean when we get the Government into delivering services to the people instead of cash? It means either we must provide the services directly or regulate the services by having Government bureaus set up to do it or by having the bureaus actually do the contracting and supervising of these services, to see that they are delivered as scheduled in the law. Of course we will have to have regulations written in.

The first part of the bill says that this shall not interfere with the personal choice of people for physicians or how hospitals are run, and then the next 80 pages spell out in detail exactly how the political government does interfere, as

perform it must be to be certain that the tax dollars are spent efficiently and in accordance with law.

The second major point, which the gentleman from Wisconsin [Mr. BYRNES] pointed out well, is the reliance on the payroll tax. One can overburden any tax. I happen to believe that the payroll tax has served well and could serve well in the future. There have been warnings that if we got it beyond 10 percent of payroll we would create great economic damage, in the field of unemployment and in the field of our international balance of payments. We already have a problem now of an employment, coming as a result of automation.

The payroll tax is a tax on jobs. It is not a tax on machines. It is an added incentive, of course, to further replace manpower with investment capital, through machines.

The payroll tax has an effect on our balance of payments. Of course, the payroll tax is essentially a consumer tax passed on in the price of goods and services the consumer must pay, and therefore it gets involved in our competition in the international marketplace and affects our exports, which in turn affects both jobs and our international balance of payments.

These matters were in a very cursory fashion gone into in the Ways and Means Committee, but not adequately, and we have ignored the warnings, because this tax will go to 11.3 percent on a base, not of \$4,800, but of \$6,600.

Finally, I would observe that the actuarial soundness to which the chairman alluded is based upon some very questionable premises. It is the premises to which one must look in order to view the overall actuarial soundness.

I quote three figures: \$19 billion, \$14 billion, and \$80 billion.

The figure of \$19 billion is the amount of money we have in our trust fund for social security retirement. The figure of \$14 billion is the amount we have in our civil service retirement system trust funds. The figure of \$80 billion is what there is in the private employer-employee pension plans trust funds.

Notice the difference—\$80 billion covers about 15 million people, while \$14 billion covers about 5 million, and the \$19 billion of OASDI covers around 180 million. That in itself should alert everyone in the House to the fact that these programs are based upon entirely different actuarial assumptions, and I would say that the actuarial assumptions of the OASDI programs are highly questionable.

Mr. MILLS. Mr. Speaker, I yield to the gentleman from Ohio [Mr. VANIK].

Mr. VANIK. Mr. Speaker, I wish to express my appreciation to the chairman of the Ways and Means Committee, the Honorable WILBUR MILLS, and to the other members of the conference on the social security amendments of 1965. The result of these efforts will merit the lasting gratitude of the American people.

I also want to pay special tribute to the conference committee for adopting an amendment which I recommended which requires the Social Security Administration to furnish the address to help locate a deserting parent or hus-

band to a welfare agency or court on condition that information be transmitted through a welfare agency, that an actual public assistance case be involved and a court order for support have been issued, and that all nondisclosure provisions be complied with.

For the past 8 years, I have endeavored to have the Social Security Administration to adopt regulations permitting the disclosure of the last known address of the worker under social security who flees from family responsibility and avoids detection by reason of the confidentiality of social security records.

Today, over \$1 billion in Federal funds, plus an additional \$750 million in State and local funds are paid to support dependent children. Almost 20 percent, or \$350 million, is spent annually in the support of children who have living "run-away" fathers who could and should support these children. Providing for these abandoned children costs the taxpayers \$931,000 a day, a 67-percent increase in the daily cost of this program since 1958. The rate of increase in this item of public expense is more phenomenal than any other peacetime Government expense.

In the summer of 1960, at the request of Congressman WIDNALL and myself, the Department of Health, Education, and Welfare proceeded with a special survey study in three scattered communities in America, including the Cleveland, Cuyahoga County area. As a result of this special effort in my community of 290 errant fathers, 111 were located. Sixty-three were located with social security records as the chief source of this information. In this special effort, 37 support orders were obtained and 5 entered into voluntary agreements to support their children. The results of this special effort were significant and point the way to saving hundreds of millions of dollars.

In my opinion, social security should not provide shelter through the extension of confidentiality to persons who are proven cases of family abandonment.

I am grateful to the conference committee for including this matter in its report.

(Mr. VANIK asked and was given permission to revise and extend his remarks.)

Mr. WIDNALL. Mr. Speaker, I want to associate myself with the remarks of my colleague, the gentleman from Ohio [Mr. VANIK], and add my thanks to the conference committee for their action regarding the "deserting parent" problem. By requiring the Social Security Administration to make addresses available to welfare agencies and courts in support cases, the Congress will provide an excellent means to find those who flee family responsibility and depend upon the taxpayer to take care of the dependents he or she has left behind. Congressman VANIK and I have been urging this action for years.

This should do more than cut down on the tremendous cost of public support for the children of runaway parents. That cost is estimated at \$350 million per year, or 20 percent of the \$1.75 billion spent each year by Federal, State, and local governments to assist dependent children. It can provide an opportunity

to encourage the acceptance of responsibility, to promote the realization on the part of parents of what family responsibility means, perhaps even to recent family ties. I have no doubt that the phenomenal increase in cost for dependent children programs has occurred, at least in part, as a result of a paradoxical situation whereby a parent could abandon his children to the care of the State, and yet collect from another governmental agency under social security. By permitting disclosure of addresses, neither the children involved nor the social security recipient will receive anything less, but the financial responsibility in the case of the children will rest where it belongs, on the parent.

That this is feasible is illustrated by the special survey conducted by the Department of Health, Education, and Welfare in 1960, at the urging of Congressman VANIK and myself. Over 20 percent of the errant fathers were located by using social security records as the chief source of information. I congratulate the members of the conference committee for their wisdom and efforts in this matter.

Mr. MILLS. Mr. Speaker, I yield to the gentleman from Pennsylvania [Mr. RHODES].

Mr. RHODES of Pennsylvania. Mr. Speaker, I support this conference report.

Mr. Speaker, I support this conference report on the social security bill which makes a historic advance in social legislation.

I do not share the fears that the social security system is threatened with destruction because of the vast improvements which this legislation represents.

Despite the progress that has been made in this 89th Congress there are many more improvements in the program which should be made to meet the needs of retired citizens. There is much merit to the argument that wage earners are carrying a heavy tax burden to finance the improvements this bill contains. It seems to me that this unfair tax burden can be remedied by having the Federal Government participate in contributing to the social security fund. Only in this way will it be possible to properly finance future amendments to make the program more adequate. A greater opportunity must be provided to permit retired citizens, disabled workers, and their families, to properly share in the Nation's increasing productivity and wealth.

The medicare provision which is included in this report marks an important step forward. The increase in benefits will be of much help to many old folks who depend on their social security checks for a decent livelihood.

Because of automation and the Nation's ability to produce with less labor, it is most essential that there should be an earlier retirement age. There is also a need for liberalization of the disability feature in order to carry some of the burden of families affected by catastrophic illness.

Social security benefits, particularly the minimum, must be further increased to make them more realistic. In a nation as rich as ours, a country which worries about its abundance of food and other

good things of life, we can assure our elderly citizens of some of the comforts of life in their twilight years.

It is for these reasons that I have introduced legislation for Federal contributions to the social security fund. The tax machinery of the Federal Government, based on the ability to pay, should be used for this purpose in order that those best able to pay will carry their proper share for the cost of this program.

I wish to pay my respects, Mr. Speaker, to the distinguished chairman of the Ways and Means Committee. I speak of the gentleman from Arkansas, the Honorable WILBUR D. MILLS. The old folks of the Nation owe him a debt of gratitude for his leadership and contribution to the tremendous progress which this legislation represents.

(Mr. RHODES of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. BURTON of California. Mr. Speaker, I would like to commend the leadership of my colleague, the gentleman from California, Congressman CECIL KING; that of Senator CLINTON ANDERSON; the gentleman from Arkansas, Chairman WILBUR MILLS, of the House Ways and Means Committee; Senator RUSSELL LONG, chairman of the Senate Finance Committee, and the conferees of both the House and Senate in producing the historic bill which we vote on today.

The Social Security Amendments of 1965, which they worked tirelessly to achieve, is a major landmark in social legislation in this country surpassed in importance and its effect on the well-being of the lives of our citizens only by the enactment of the original social security legislation.

I am sure that as broad a revision as this measure is and as far reaching as its benefits to our people are, we will see the day when the coverage is extended to long-term nursing home care and the cost of drugs in all phases of this program.

It will be extended to those who wish to take advantage of the benefits of early retirement at age 60 for women and age 62 for men and to those under 65 receiving disability benefits as well as to dependents of all those receiving cash benefits under the program. I am equally certain that before many years Congress will choose to extend comprehensive medical care as a matter of right to every man, woman and child in this country.

It is with sadness that I note that just 10 days ago, George McLain, who spent most of his life in the effort to improve the lot of those in need in my State, California, and in the Nation, died. It is ironic that he who gave so much and toiled so long is not here to see the fruit which his labors bore.

Mr. DONOHUE. Mr. Speaker, I most earnestly hope that this House will speedily and overwhelmingly accept and approve the conference report on H.R. 6675 now before us.

This conference report represents a major historical mark in legislative attempts to reasonably ease the suffocating burdens of old age in a civilized society

and it embraces the most wholesome expansion of our social security system since its establishment 30 years ago. Unquestionably it will strengthen the economic security and confidence of every American family in this country.

In summary, under the basic health care program set up by this legislation, hospitalization benefits of up to 90 days would be allowed for each illness. The patient would pay the first \$40 of the hospital bill. After the first 60 days of hospital care he would pay \$10 toward the cost. It also provides up to 100 days of posthospital nursing home care with the patient paying \$5 a day for each day after 20 and up to 100 home care visits, normally by a nurse.

Under the voluntary supplementary plan other medical expenses, including doctor bills and services of specialists, would be mostly met by \$3-a-month premiums paid by the individual and matched by the Government. After a \$50-a-year deductible this voluntary plan would pay 80 percent of costs.

This bill further establishes an expanded Kerr-Mills program for the needy which is intended to combine all the various existing medical assistance programs for this group into a single program with greater Federal financial participation.

Among other vitally important features of this measure are provisions for a 7-percent increase in all social security payments; to approve a desperately needed liberalization, so long overdue, of the earnings limitation; the continuation of benefits for children attending school beyond the age of 18 up to the age of 22; to grant widows the option of receiving reduced benefits beginning at the age of 60; and the continuation of widows and widowers insurance benefits after remarriage.

Mr. Speaker, the great number of major revisions and improvements in our basic social security system and program of medical care for the aged and needy children, projected by this conference report, embrace the judgments and agreement of the most knowledgeable and dedicated legislative minds, in a specialized field in this country. The House and Senate committees and their respective chairmen and, particularly the members of this conference committee, eminently merit the gratitude of the Congress and the country for their persevering work and historical achievement. The gratitude of this body, in fundamental concern for the American people, can best be expressed by prompt approval of this conference report.

#### GENERAL LEAVE

Mr. MILLS. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may have 5 legislative days in which to extend their remarks on the conference report.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER. The question is on the conference report.

Mr. MILLS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 307, nays 116, not voting 11, as follows:

[Roll No. 203]

YEAS—307

Adams	Gilbert	Moore
Addabbo	Gilligan	Moorhead
Albert	Gonzalez	Morgan
Anderson,	Goodell	Morris
Tenn.	Grabowski	Morrison
Annunzio	Gray	Morse
Ashley	Green, Oreg.	Mosher
Ashmore	Green, Pa.	Moss
Aspinall	Greigg	Multer
Ayres	Grider	Murphy, Ill.
Baldwin	Griffin	Murphy, N.Y.
Bandstra	Griffiths	Natcher
Barrett	Grover	Nedzi
Bates	Gubser	Nix
Beckworth	Gurney	O'Brien
Bell	Hagen, Calif.	O'Hara, Ill.
Bingham	Halpern	O'Hara, Mich.
Boggs	Hamilton	O'Konski
Boland	Hanley	Olsen, Mont.
Bolling	Hanna	Olson, Minn.
Brademas	Hansen, Iowa	O'Neill, Mass.
Brooks	Hansen, Wash.	Ottinger
Broomfield	Hardy	Patman
Brown, Calif.	Harris	Patten
Broyhill, N.C.	Harvey, Mich.	Pelly
Broyhill, Va.	Hathaway	Pepper
Burke	Hawkins	Perkins
Burton, Calif.	Hays	Philbin
Byrne, Pa.	Hechler	Pike
Byrnes, Wis.	Helstoski	Pirnie
Callan	Henderson	Powell
Cameron	Herlong	Price
Carey	Hicks	Pucinski
Carter	Hollifield	Purcell
Cederberg	Holland	Race
Celler	Horton	Randall
Chamberlain	Hosmer	Redlin
Chelf	Howard	Reid, N.Y.
Clark	Hull	Reifel
Cleveland	Hungate	Reinecke
Clevenger	Huot	Resnick
Cohelan	Hutchinson	Reuss
Conable	Ichord	Rhodes, Pa.
Conte	Irwin	Rivers, Alaska
Conyers	Jacobs	Roberts
Corbett	Jennings	Robison
Corman	Joelson	Rodino
Craley	Johnson, Calif.	Rogers, Colo.
Cramer	Johnson, Okla.	Rogers, Fla.
Culver	Johnson, Pa.	Ronan
Cunningham	Jones, Ala.	Roncalio
Curtin	Karsten	Rooney, N.Y.
Daddario	Karth	Rooney, Pa.
Dague	Kastenmeier	Roosevelt
Daniels	Kee	Rosenthal
Dawson	Keith	Rostenkowski
de la Garza	Kelly	Roush
Delaney	King, Calif.	Royal
Dent	King, N.Y.	Ryan
Denton	King, Utah	St Germain
Diggs	Kirwan	St. Onge
Dingell	Kluczyński	Saylor
Donohue	Krebs	Scheuer
Dow	Kunkel	Schisler
Dulski	Landrum	Schmidhauser
Duncan, Oreg.	Leggett	Schneebeil
Dwyer	Lindsay	Schweiker
Dyal	Long, Md.	Secrest
Edmondson	Love	Senner
Edwards, Calif.	McCarthy	Shipley
Ellsworth	McClory	Sickles
Evans, Colo.	McCulloch	Sikes
Everett	McDade	Sisk
Evins, Tenn.	McDowell	Slack
Fallon	McEwen	Smith, Iowa
Farbstein	McFall	Smith, N.Y.
Farnsley	McGrath	Stafford
Farnum	Macdonald	Staggers
Fascell	Machen	Stalbaum
Feighan	Mackay	Stanton
Fino	Mackie	Steed
Flood	Madden	Stratton
Fogarty	Maillhard	Stubblefield
Foley	Martin, Mass.	Sullivan
Ford,	Mathias	Sweeney
William D.	Matsunaga	Talcott
Fraser	Matthews	Taylor
Friedel	Meeds	Teague, Calif.
Fulton, Pa.	Miller	Tenzer
Fulton, Tenn.	Mills	Thomas
Gallagher	Minish	Thompson, N.J.
Garmatz	Mink	Thompson, Tex.
Gettys	Minshall	Todd
Gialmo	Moeller	Trimble
Gibbons	Monagan	Tunney

Tupper	Watkins	Wolff
Tuten	Watts	Wright
Udall	Weltner	Wyatt
Ullman	Whalley	Wydler
Van Deerlin	White, Idaho	Yates
Vanik	White, Tex.	Young
Vigorito	Widnall	Zablocki
Vivian	Wilson,	
Walker, N. Mex.	Charles H.	

NAYS—116

Abbitt	Dole	May
Abernethy	Dorn	Michel
Adair	Dowdy	Mize
Anderson, Ill.	Downing	Morton
Andrews,	Duncan, Tenn.	Murray
George W.	Edwards, Ala.	Nelsen
Andrews,	Erlenborn	O'Neal, Ga.
Glenn	Findley	Passman
Andrews,	Fisher	Pickle
N. Dak.	Flynt	Poage
Arends	Ford, Gerald R.	Poff
Ashbrook	Fountain	Pool
Baring	Frelinghuysen	Quie
Battin	Fuqua	Quillen
Belcher	Gathings	Reid, Ill.
Bennett	Gross	Rhodes, Ariz.
Berry	Hagan, Ga.	Rivers, S.C.
Betts	Haley	Rogers, Tex.
Bolton	Hall	Roudebush
Bray	Halleck	Rumsfeld
Brock	Hansen, Idaho	Satterfield
Brown, Ohio	Harsha	Scott
Buchanan	Harvey, Ind.	Selden
Burleson	Hébert	Shriver
Burton, Utah	Jarman	Skubitz
Cabell	Jonas	Smith, Calif.
Calaway	Jones, Mo.	Smith, Va.
Casey	Kornegay	Springer
Clancy	Laird	Stephens
Clausen,	Langen	Teague, Tex.
Don H.	Latta	Thomson, Wis.
Clawson, Del	Lennon	Tuck
Collier	Lipscomb	Utt
Cooley	Long, La.	Waggonner
Curtis	McMillan	Walker, Miss.
Davis, Ga.	MacGregor	Whitener
Davis, Wis.	Mahon	Whitten
Derwinski	Marsh	Williams
Devine	Martin, Ala.	Wilson, Bob
Dickinson	Martin, Nebr.	Younger

NOT VOTING—11

Blatnik	Colmer	Watson
Bonner	Keogh	Willis
Bow	McVicker	
Cahill	Toll	

So the conference report was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Keogh for, with Mr. Colmer against.  
Mr. Blatnik for, with Mr. Watson against.

Until further notice:

Mr. Toll with Mr. McVicker.  
Mr. Willis with Mr. Bonner.

Mr. HALEY changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

August 3, 1965

VOTING RECORD ON MAJOR LEGISLATION

(Mr. McVICKER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. McVICKER. Mr. Speaker, unfortunately, because of serious illness in my family I could not be here last week.

I wish to place in the RECORD my position on the votes that were taken on major legislation.

Had I been here I would have voted as follows:

The conference report on H.R. 6675, medicare and other social security amendments, was agreed to in the House July 27. Had I been here I would have voted "aye."

\* \* \* \* \*

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**MESSAGE FROM THE HOUSE**

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes.

SOCIAL SECURITY AMENDMENTS OF  
1965—CONFERENCE REPORT

Mr. LONG of Louisiana. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report.  
(For conference report, see House proceedings of July 26, 1965, pp. 17527-17536, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. DIRKSEN. Mr. President, if the distinguished acting majority leader will yield, there has been colloquy about what his intentions are with respect to action on the conference report tonight.

There are some complications; and I uttered the hope that he would announce to the Senate that any statement any Senator wished to make on the conference report tonight could be made, with the clear and explicit understanding that there would be no vote tonight, and that when the Senate reconvenes tomorrow there will be a request for a limitation of time. I shall be glad to join with the acting majority leader in securing a limitation on time insofar as it lies within my power to do so.

Mr. LONG of Louisiana. Mr. President, I discussed this matter with the distinguished minority leader. I will not seek to press this matter to a vote tonight, in view of certain problems which exist with respect to Senators who wish to be heard on the conference report at the time of the vote.

I would hope very much that Senators who are available to discuss this matter would make their speeches before the Senate recesses or adjourns tonight, as the case may be, in view of the fact that there is urgency to this piece of legislation.

In my judgment, the bill should be signed before the end of this month because of effective dates relating to money which many people will need.

The bill contains effective dates for the second month after it is signed. If it is signed this month, it means that some of the benefits will commence in September; if it is signed in August, the benefits will not commence until October.

In my judgment these effective dates should be September, instead of October. I very much hope that we can act on the bill and have it available for the President to sign before the month is over, which means by July 31.

Mr. DIRKSEN. Mr. President, I am not unaware of the problems of enrolling a bill of this size. Of course it can be done, and extra talent can be employed. However, there is ample opportunity to have it properly enrolled and ready for the President's signature. I shall put no stone in the way of my distinguished friend from Louisiana in attaining his objective. I would be more than glad to cooperate with him in obtaining a time limitation tomorrow.

Mr. LONG of Louisiana. I thank the Senator. He always makes his position very clear. He always does a fine job in speaking for all of those on the other side of the aisle, and sometimes even for some of us on this side of the aisle.

Mr. DIRKSEN. I thank the Senator.

Mr. LONG of Louisiana. I salute him for the fine work he does. I shall work with the Senator to conclude action on the bill as soon as possible. I shall not insist that the Senate vote on the conference report until tomorrow.

Mr. THURMOND. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. THURMOND. I wonder if the Senator would ask for a yea-and-nay vote?

Mr. LONG of Louisiana. If the Senator wishes to insist upon a yea-and-nay vote on the conference report, I shall seek to accommodate him when the vote occurs tomorrow. Some Senators have indicated that they did not care to have the yeas and nays ordered. Others have indicated that they wished a yea-and-nay vote. My position is very clear for the RECORD.

Mr. THURMOND. Several Senators would like to have a yea-and-nay vote.

Mr. DIRKSEN. There would be no trouble about obtaining a yea-and-nay vote.

Mr. LONG of Louisiana. If the Senator from South Carolina cares to have the yeas and nays ordered on the adoption of the conference report, I shall be glad to cooperate with him to have that vote. However, I have told some Senators, who have now left the floor, that I knew of no request for the yeas and nays. That being the case, I would prefer to have him make his request tomorrow. At that time I shall be glad to second his motion.

Mr. THURMOND. That is satisfactory. I wonder if a quorum call could be had, and in that way have me notified to be on the floor. If it is determined at that time that a ye-and-nay vote is desired, I am sure the Senator will cooperate in obtaining such a vote.

Mr. LONG of Louisiana. Yes.

Mr. President, after a full week of consideration your conferees are ready to report that we have reached agreement with the House conferees on the most significant social security and public welfare legislation ever passed by the Congress. Realizing full well the awesome responsibility which was ours we went through the 409-page bill line upon line and section by section to reach agreement on some 513 Senate amendments, including some minor and technical amendments.

The conference bill now before the Senate marks a new era in our effort to promote the general welfare. It recognizes the fact that a dynamic democracy changes as the country grows. It recognizes that we are a great—and questioning—country. It is a reaffirmation, in a time of prosperity, of our concern for our aged and our children which, almost exactly 30 years ago, in a time of deep depression, led to the adoption of our country's first social security system. Building on a great "cornerstone"—as President Franklin D. Roosevelt described the 1935 act—we are proving again today that the American answer to disease and despair is to respond with dedication and with deeds. Much has been demanded of our country in these three decades since 1935, from many parts of the world and from the reaches of outer space. Now, at their close we have recognized that there comes a time—and the time is now with us—when a man must look to his own household and it is in this spirit that the Congress has acted.

We can get some idea of the scope of the 1965 act by comparing it with the historic Social Security Act of 1935. At that time it was estimated that, by 1980, a full 45 years later, social security payments would total \$3½ billion.

If my recollection serves me right, during the first 5 years of the Social Security Act of 1935, no benefits were paid. Under the bill now before us the additional payments alone will greatly exceed this amount in the first full year. And by 1972—8 years earlier than 1980, it is estimated that social insurance payments—including the health and disability features—will be running about \$31 billion a year. I emphasize the fact that these expenditures refer only to trust fund payments for hospital and medical care insurance, and for cash payments to the some 20 million people now entitled to social security benefits and the millions more who will qualify in the future. In addition to these expenditures, the bill includes \$1.3 billion in money from the General Treasury for the first full year. Thus, as finally approved by the conference the social security bill of 1965 contains almost \$6½ billion in additional benefits which extend to every part of our population.

To put these amounts into focus, it is well, perhaps, to measure these payments

to people against the march of our expanding economy. In the year 1950, when social security payments amounted to \$960 million they represented less than one-half of 1 percent of a total personal income for that year which totaled \$228.5 billion. With the improvements in the social security system made by amendments in the 1950's total social security payments had, by 1957 moved up to \$7.4 billion—or about 2 percent of the total personal income for that year of \$351.4 billion. Last year, with total personal income climbing to the unprecedented heights of \$491 billion, total social security payments of \$16.2 billion represented just about 3 percent of our people's total personal income for 1964. Moreover, assuming an increase in personal income in the next 7 years, paralleling that of the last 7 years, these payments in 1972 will equal 5 percent of total personal income. It is then still a relatively small but climbing segment of income. Yet, as we have found through the years the social security segment not only constitutes a growing guarantee that most of us will find a measure of self-sufficiency and dignity in our older years, but these payments—which go directly to purchase the necessities of life—are also an important means of helping to stabilize the economy since they are paid regularly and in fixed amounts.

When I spoke of this bill some days ago as the most significant social security and public welfare legislation ever passed by Congress in the history of our country, I noted an editorial which appeared in the great Washington newspaper, the Washington Post, referring to what I said in this regard as a "modest exaggeration."

I admired the editorial, and I thought it was well taken and well done. However, I would take issue with that great newspaper when it describes my statement as a "modest exaggeration."

What bill ever passed by Congress brought more cash dividends or did more good to more people immediately and even more so within 1 year than this bill? It cannot be said of the Social Security Act of 1935. That act planted good hopes. But then so do the Social Security Amendments of 1965. Not only does this bill plant good hopes, but it nurtures to a flowering maturity the hopes of 1935 and succeeding years. We expand existing benefits and inaugurate great, new benefits.

The new benefits for the first full year of operation under this bill would be \$6.5 billion.

While no one likes to vote for taxes, Congress also has the responsibility to vote the taxes to pay for the benefits provided in the bill. In doing so, we have brought to the Senate in the conference report one of the largest tax bills ever passed to provide medical services for people in this country.

Both as a revenue bill and as a bill providing services, this is a great and significant bill.

It is not "modest exaggeration," it is a fact that this bill does more to meet more human problems than any other measure ever passed.

The Social Security Amendments of 1965 which the conferees present to you

today are, then, a reaffirmation in the midsixties of the 20th century of a long heritage of concern, in this country, that our youth and our aged shall have their fair share of the abundance in our land, and shall be protected against the loss of the necessities of life. First, let me discuss a few of the many differences in the bills which were reconciled in conference.

#### HOSPITAL INSURANCE

The provisions which emerged from the conference committee relating to the basic hospital program represent a reasonable compromise between the House and Senate versions of the bill. As to the number of inpatient hospital days the Senate had provided an unlimited duration to take care of the catastrophic case. As you know, I felt as strongly as any Member of this body as to the desirability of this provision. Needless to say, the House conferees had equally strong convictions as to the wisdom of their legislation, which provided only 60 days of care. The conference agreement provides an additional 30 days of care using the coinsurance provision which was included in the Senate bill. This legislation will take care of about 98 percent of the cases. I think I am safe in saying that we have not heard the last about the unfortunate 2 percent. A complete solution of this problem, however, will have to wait until a future year.

As to the coverage of the physician-specialists under the basic program, the House conferees were insistent that physicians services should be placed in the voluntary supplementary program where the private sector will play a greater role as a buffer between the doctor and the Government.

The Senate prevailed as to the 100 days of extended care—skilled nursing home—but the House version of the home health benefit was taken both as to the requirement of hospitalization and the duration of 100 visits. Some question was raised as to whether there were sufficient facilities to warrant the 175 visits a year and the House believed the home health visits in the voluntary supplementary program afforded sufficient backup protection.

#### SUPPLEMENTARY PLAN

One of the more significant decisions was the adoption of the House effective date of July 1, 1966, for the supplementary plan. The conferees believed it was important that both the basic program and the supplementary start together and this consideration overrode the administrative convenience of a starting date of January 1, 1967. The Senate inclusion of the services of dentists performing dental surgeon functions was adopted, but the House prevailed in the exclusion of chiropractors and podiatrists.

#### INCOME TAX PROVISIONS

The conference accepted the Senate amendment eliminating all maximum limitations on the medical expense deduction for all taxpayers.

The House insisted that there be some mechanism for recovering the \$3 monthly premiums for the supplementary plan which are paid from the general funds of the Treasury, from those

Individuals who have substantial amounts of taxable income. Thus, the conference adopted the House provision that the 3-percent floor on medical expense deductions, as well as the 1-percent limitation on medicines and drugs, is to apply to those people age 65 or over in the same manner as it presently applies to those under age 65. The conference also adopted the House provision allowing a special deduction for one-half of premiums paid for insurance of medical care expenses up to \$150. This deduction is to be outside the regular medical expense limitations and is to apply with respect to taxpayers who itemize their deductions. Thus, if the premium is \$350, \$150 of this may be deducted outright and the remaining \$200 will be treated as a medical expense subject to the limitations.

#### MEDICAL ASSISTANCE

There were relatively few differences between the House and Senate versions of the new title XIX which provides a more effective Kerr-Mills program and extends its provisions to individuals who are needy and medically needy in the aged, blind, disabled, and dependent children programs.

One difference was in the administering agency. The House had required that the single State agency administering the new program must be the agency administering title I or XVI—the welfare agency. The Senate believed that a State should be allowed to choose any single State agency to administer the program providing the welfare agency be used to determine eligibility. The conference wisely adopted the Senate version.

Another difference concerned the future termination of existing medical vendor program. The House required that all existing medical programs in the five titles of the Social Security Act would be terminated on June 30, 1967. The Senate gave the States the option of continuing under existing law or under the new program. A compromise was reached under which the existing programs will not be terminated until December 31, 1969.

Still another difference dealt with the coverage of children under the broadened Kerr-Mills program. The House provided that dependent children under the age of 21 and specified relatives caring for them could be included even though they did not meet requirements for need and age under the State plans for aid to families with dependent children, but were otherwise qualified. The Senate included all children under 21 and adults caring for them. The Conference reached agreement by adopting the Senate provision as to the coverage of children under 21 but accepted the House provision as to coverage of the adult caretakers.

#### OTHER AMENDMENTS ON HEALTH CARE AND WELFARE

One of the hardest provisions to lose in this conference was that which would have authorized special project grants for services for children who are emotionally disturbed. The House conferees

argued that the study of this problem, which was authorized by the Senate bill and agreed to by the conference should precede the authorization of grants. I surely hope that the grants program for this worthy cause will not be too long delayed.

#### OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

**Earnings base:** The Senate prevailed as to its provisions which established a \$6,600 earnings base in 1966. Under the House bill a \$5,600 base was provided through 1970 and then it went up to \$6,600. The tax rates adopted follow more closely the Senate bill, particularly in the early years. Incidentally, all the trust fund programs are adequately financed on the basis of conservative actuarial assumptions.

**Disability:** As to the definition of "disability," the waiting period, the offset against workmen's compensation, and the payment of certain rehabilitation services, the conference follows the Senate bill.

With respect to the Hartke amendment in the Senate which would have provided benefits to blind persons under a very liberal definition with as few as six quarters of coverage, the conference has provided a substitute which will be of assistance to two classes of blind people, who are presented with real problems under existing law, as follows:

**First. Young disabled workers:** An alternative insured status requirement is established for workers disabled by blindness before age 31 of one-half of the quarters elapsing after age 21 up to the point of disability, with a minimum of six quarters. To qualify for this alternative the worker would have to meet the statutory definition of blindness for the disability "freeze." The worker will, however, have to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.

**Second. Older disabled workers:** Those individuals aged 55 or over who meet the statutory definition of blindness in the disability freeze could qualify for cash benefits on the basis of their inability to engage in their past occupation or occupations. Their benefits would not be paid, however, if they were actually engaging in any substantial gainful activity.

**Earnings test:** The provision worked out in conference provides substantial relief to those who have to work to supplement their social security benefits. The House bill had only provided for an increase in the \$1 for \$2 band from \$1,700 to \$2,400 while retaining the annual earnings limitation of \$1,200. The Senate had increased the exempt amount from \$1,200 to \$1,800 a year and ran the \$1 for \$2 band up to \$3,000 a year. Under the conference agreement, the first \$1,500 a year would be fully exempt and there would be a \$1 reduction in benefits for each \$2 of earnings between \$1,500 and \$2,700 and for each \$1 of earnings thereafter. In addition, the amount of earnings a beneficiary may have in a month and get full benefits for that month, regardless of his annual

earnings, would be raised from \$100 to \$125.

**Cash tips:** Probably one of the most difficult problems to resolve in conference was that of cash tips. The House bill, as Senators may remember, made the employer liable for money he had never paid or had knowledge about. He was to be taxed on "wages" he had never seen and whose amount for tax purposes would be determined solely by his employee. On the other hand, we realized when we covered tips as self-employment income in the Senate that the social security protection of many tipped workers was inadequate. The compromise worked out does hold out the hope of providing social security coverage of a higher proportion of tip income, but not at the expense of imposing an arbitrary tax on thousands of employers. It uses the House bill mechanism for social security reporting and income tax withholding purposes but imposes no tax liability on the employer who was not the source of the tip in the first place. The more detailed explanation of the bill resulting from the decisions reached in conference, which I shall include at the end of these remarks, explains in more detail how the conference provision will work as to cash tips.

Mr. President, I ask unanimous consent that the statement be printed at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

#### REDUCTION OF RETIREMENT AGE TO 60 WITH AN ACTUARIAL REDUCTION

Mr. LONG of Louisiana. Mr. President, we found that the House was adamant with respect to the amendment of the junior Senator from West Virginia [Mr. BYRD] that would have reduced the retirement age to 60 with an actuarial reduction. The House was particularly concerned with the large initial expenditure of money particularly in a year when the medical and hospital insurance provisions were going into effect. This was so even though this amendment has no long-term cost effect because of the actuarial reduction.

It should be stated that the savings for the fund would not begin to take effect until almost 20 years after the amendment went into effect.

I have great sympathy with this amendment and I feel sure that before too long the Senator from West Virginia will once again have sponsored a change in the law to this effect. I think the Senator is entirely correct in recognizing that automation and other modern developments are irrevocably forcing older workers out of their jobs, and that we must recognize this fact of life in our social security law. I congratulate him for being a leader in this field.

#### PUBLIC ASSISTANCE

The Senate was able to prevail on a number of significant earning exemptions under the public assistance programs. I might say that this body has been the leader in developing a more enlightened welfare policy in this regard. Too often the practice under present law

has led to pinch-penny reductions in the amount of monthly payments because an older person has sold some eggs, or because an enterprising youngster got a weekend job stocking groceries in a store or worked a newspaper route. The following Senate amendments were adopted by the conference, together with the old-age assistance earnings exemption which originated in the Senate last year with an amendment offered by the Senator from Illinois [Mr. DOUGLAS] and which has been adopted by both Houses this year:

First. Under the Ribicoff amendment a State at its option, may disregard up to \$150 per family per month of earned income of any dependent children under the age of 18 in the same home, but no child may have earnings of more than \$50 per month and have those earnings exempted.

Second. Under my amendment, a State, at its option, may disregard the first \$20 per month of earnings of aid to the permanently and totally disabled recipients and one-half of the next \$60—this is the same as the exemption provided for old-age assistance recipients. Also, any additional income and resources could be exempted as part of an approved plan to achieve self-support during the time the recipient was undergoing vocational rehabilitation.

Third. Under another Long amendment, a State, at its option, may disregard not more than \$5 per month per recipient of any income under all five public assistance programs. The conference arrived at this figure by reducing the Senate figure, which had been \$7 a month.

Fourth. A provision is also made so that any amount of income which is disregarded in determining eligibility for a person under one of the public assistance programs shall not be considered in determining eligibility of another individual under any other public assistance program.

I deeply regret that our most strenuous efforts could not budget the House conferees in providing an earlier effective date than January 1, 1966, as suggested by the Senator from Texas [Mr. YARBOROUGH], for the formula increases in public assistance. These increases, which were amendments I submitted last year and were included in the bill which died in conference last fall, are badly needed by the needy aged, blind, and dependent children.

#### MAJOR PROVISIONS NOT IN CONFERENCE

On many of the equally important measures of this legislation which so directly affects so many millions of Americans the House and the Senate were in agreement. These provisions included:

#### OLD AGE, SURVIVORS, AND DISABILITY INSURANCE

First. The 7-percent increase in benefits across the board which will immediately effect some 20 million beneficiaries, also providing them with a September bonus since the increase is effective retroactively to January 1, 1965.

Second. The increase from age 18 to 22 for some 295,000 surviving or dependent children who continue in school is

also retroactive and the September bonus for these young people will, it is hoped, make it possible for them to return to school this fall with a new dress or a new pair of shoes, or to purchase other necessities which may mean the difference as to whether they can continue in school.

Third. Some 185,000 widows, it is estimated, will take advantage of the change which provides actuarially reduced benefits for them at age 60, rather than waiting 2 years, until they reach the age 62 requirement in existing law.

Fourth. Another 355,000 of our oldest Americans who are in their seventies and are not now eligible for benefits at all would qualify through a liberalization of the eligibility requirements to provide a basic benefit of \$35 at age 72 or over if they have from 3 to 5 quarters—depending on age—acquired at any time since the beginning of the program in 1937. Present law, as you know, requires a minimum of 6 quarters. By this transitional adjustment many of these people who do not have coverage because they spent most of their work life at an occupation—such as farming—which was actually excluded from coverage until 1955 or because of other of the various exclusions which characterized the more limited coverage of the early years of the system, will be brought under social security's umbrella. With today's much broadened coverage reaching at least 9 out of 10 of our working population, this transitional provision will no longer be required after a few years and it will wash out because people coming on the rolls in the future will almost universally be able to qualify on the basis of their covered earnings, or as dependents and survivors of a breadwinner with sufficient covered earnings.

Fifth. Certain coverage changes strengthen the law by (a) including self-employed physicians; (b) liberalizing the income treatment for self-employed farmers; and (c) improving certain State and local coverage provisions. In addition certain religious groups opposed to insurance are exempted.

#### PUBLIC ASSISTANCE

First. An estimated 7,200,000 of our most needy aged, blind, disabled, and dependent children will find themselves better able to cope with today's living costs through an increase in the Federal share of our public assistance programs for cash payment purposes. This purpose will be accomplished by a new matching formula which will provide increases, on the average, of \$2.50 a month for adults and \$1.25 for children.

Second. When another 100,000 to 150,000 of our aged, who are patients in institutions for tuberculosis or mental diseases receive their first public assistance payments on January 1, 1966, I will have realized a hope that has long been close to my heart. For I have always deplored the fact that a vestigial practice, developed over the years, has disinherited these people from any Federal assistance. In order to make sure that the unfortunate victims of these afflictions directly benefit from this new

provision, the bill provides that States will receive additional Federal funds only to the extent they increase their own expenditures for mental health purposes under their public health and public welfare programs.

#### CHILD HEALTH AND WELFARE

The concern of the Congress that America's children have a right to good health care—particularly the vital preventive case so important in the early days of life—is reflected in a number of changes, which substantially increases the amounts authorized for maternal and child health, crippled children, and child welfare services for the present and in the year immediately ahead of us. Moreover, a new 5 year grant program is authorized for special project grants to provide comprehensive health care and service for preschool or school age children, particularly in areas with concentrations of low-income children. Grants are also authorized for the next 2 fiscal years for the purpose of assisting States to implement and followup on plans to combat mental retardation under the legislation which was passed in 1963.

Finally, it is, perhaps, peculiarly fitting and proper that 1965 should be the year of enactment of this great package of social legislation. The men and women who were born at the turn of the century, in 1900, are this year reaching a 65th birthday which will entitle them to the kind of health care to which they deserve, as well as to more adequate cash benefits.

Let me emphasize again that this is not hastily conceived legislation. It has received the kind of painstaking consideration over the years—and particularly over the last months—that such a monumental bill deserves and demands. It reflects the mandate of the American people in the election of last fall. Introduced on the opening day of this Congress, with the distinguishing bill numbers of H.R. 1 and S. 1, the administration's original proposal has, through the most careful consideration and consultation as to each of its many details, been tested—and tried. During these deliberations seemingly staggering stalemates were met and resolved with the result that the original bill has been greatly improved and expanded. In late January, the Committee on Ways and Means of the House of Representatives began weeks of study before they were ready to report the bill to the House in early April. When the bill reached the Senate, after House passage, it received equally serious and painstaking, but rewarding, consideration. Prior to opening the hearings on April 29, the Committee on Finance had a 3-day briefing session on all of its many parts. This was followed 2½ weeks of hearings, in late April and well into May, during which witnesses representing various points of view were heard, and their suggestions and positions recorded. Then the committee, in executive session, began its deliberations which, during the month of June weighed issue after issue to come forth with the bill reported to the Senate on June 30. The first week of July brought 3 days of discussion and debate on the Senate floor. For a full week, the conferees of

the House and Senate met regularly, both in the morning and in the afternoon, to resolve the many points of difference, while the legislative technicians worked far into the night to bring into final form the bill which is before us today. In all, the Finance Committee spent 27 hours in executive session, 36 hours in hearings, and then another 27 hours in conference with our colleagues, the House conferees.

In my opening remarks, I described this bill as legislation for the present and the future—legislation to meet changing conditions. But in closing I also wish to point out that the spirit in which this law is written draws deeply upon the ancient dreams of all mankind. In Leviticus it is written:

Thou shall rise up before the hoary head, and honor the face of an old man.

We are writing history today.

I hope we may soon see the bill signed into law.

EXHIBIT 1

PRINCIPAL PROVISIONS OF H.R. 6675, AS AGREED TO BY HOUSE-SENATE CONFERENCE COMMITTEE

A. HEALTH INSURANCE AND MEDICAL CARE FOR THE AGED

The bill would add a new title XVIII to the Social Security Act providing two related health insurance programs for persons 65 or over:

(1) A basic plan in part A providing protection against the costs of hospital and related care; and

(2) A voluntary supplementary plan in part B providing protection against the costs of physicians' services and other medical and health services to cover certain areas not covered by the basic plan.

The basic plan would be financed through a separate payroll tax and separate trust fund. The plan would be actuarially sound under conservative cost assumptions. Benefits for persons currently over 65 who are not insured under the social security and railroad retirement systems would be financed out of Federal general revenues.

Enrollment in the supplementary plan would be voluntary and would be financed by a small monthly premium (\$3 per month initially) paid by enrollees and an equal amount supplied by the Federal Government out of general revenues. The premiums for social security, railroad retirement, and civil service retirement beneficiaries who voluntarily enroll would be deducted from their monthly insurance benefits. Uninsured persons desiring the supplemental plan would make the periodic premium payments to the Government.

Both the basic plan and the supplementary plan would become effective July 1, 1966.

The bill would also add a new title XIX to the Security Act which would provide a more effective Kerr-Mills program for the aged and extend its provisions to additional needy persons. It would allow the States to combine within a single uniform category the differing medical provisions for the needy which currently are found in five titles of the Social Security Act. Medical vendor provisions in existing law would expire, however, on December 31, 1969.

A description of these three programs follows:

1. Basic plan—hospital insurance

General description: Basic protection, financed through a separate payroll tax, would be provided by H.R. 6675 against the costs of inpatient hospital services, posthospital extended care services, posthospital home health services, and outpatient hospital diagnostic services for social security and rail-

road retirement beneficiaries when they attain age 65. Benefits for railroad retirement eligibles would be financed by the railroad retirement tax if certain conditions are met. The same protection, financed from general revenues, would be provided under a special transitional provision for essentially all people who are now aged 65, or who will reach 65 in the near future, but who are not eligible for social security or railroad retirement benefits.

Effective date: Benefits would first be effective on July 1, 1966, except for services in extended care facilities which would be effective on January 1, 1967.

Eligibility for protection under the basic plan

The proposed basic hospital insurance would be provided (on the basis of a new section in title II of the act) for people aged 65 and over who are entitled to monthly social security benefits or to annuities under the Railroad Retirement Act. In addition, people who are now aged 65 or will reach 65 within the next few years and who are not insured under the social security or railroad programs would nevertheless be covered under the basic plan. In July 1966, when the program would become effective, about 17 million people aged 65 and over who are eligible for social security or railroad retirement benefits, and about 2 million aged who would be covered under a special transitional provision, would have the proposed basic hospital insurance.

Included under the special provision would be all uninsured people who have reached 65 before 1968. As to persons reaching 65 after 1967, they would have to have the quarters of coverage that are indicated in the following table:

Quarters of coverage required for OASI cash benefits as compared to hospital insurance.

Year attains age 65	Men		Women	
	OASI	Hospital insurance	OASI	Hospital insurance
1967 or before.....	6-16	0	6-13	0
1968.....	17	6	14	6
1969.....	18	9	15	9
1970.....	19	12	16	12
1971.....	20	15	17	15
1972.....	21	18	18	(1)
1973.....	22	21		
1974.....	23	(1)		

<sup>1</sup> Same as OASI.

As indicated in the table, by 1974 the quarter coverage required for cash benefits and hospitalization insurance benefits will be the same and the transitional provision will phase out.

Together, these two groups comprise virtually the entire aged population. The major group excluded will be individuals afforded protection under the provisions of the Federal Employees' Health Benefits Act. Federal employees who retired before February 16, 1965, and who did not have coverage under the Federal Employees' Health Benefits Act on that date would be covered under the transitional provision for the uninsured. Others excluded would be aliens (unless they have been admitted for permanent residence and have been residents of the United States for 5 years) and certain people convicted of subversive crimes.

Currently, 93 percent of the people reaching age 65 are eligible for benefits under social security or railroad retirement and this percentage will rise to close to 100 percent as the program matures.

Benefits: The services for which payment would be made under the basic plan include:

1. Inpatient hospital services for up to 90 days in each spell of illness. The patient pays a deductible amount of \$40 for the first 60 days plus \$10 a day for 30 days in excess of 60 for each spell of illness; hospital

services would include all those ordinarily furnished by a hospital to its inpatients; however, payment would not be made for private duty nursing or for the hospital services of physicians except services provided by medical or dental interns or residents in training under approved teaching programs. Inpatient psychiatric hospital service would also be included, but a lifetime limitation of 190 days would be imposed.

2. Posthospital extended care (in a facility having an arrangement with a hospital for the timely transfer of patients and for furnishing medical information about patients) after the patient is transferred from a hospital (after at least a 3-day stay) for up to 100 days in each spell of illness, but after the first 20 days of care patients will pay \$5 a day for the remaining days of extended care in a spell of illness.

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

4. Posthospital home health services for up to 100 visits, after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness. Such a person must be in the care of a physician and under a plan established by a physician within 14 days of discharge calling for such services. These services would include intermittent nursing care, therapy, and the part-time services of a home health aid. The patient must be homebound, except that when certain equipment is used, the individual could be taken to a hospital or extended care facility or rehabilitation center to receive some of these covered home health services in order to get advantage of the necessary equipment.

Christian Scientists are treated separately so that they will have sanatorium services of up to 60 days with \$40 deductible plus 30 additional days at \$10 coinsurance per day, as hospital service; plus an additional 30 days in a Christian Science sanatorium as extended care facility services with the \$5 per day coinsurance feature.

No service would be 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 would be considered to begin when the individual enters a hospital or extended care facility 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 would be increased if necessary to keep pace with increases in hospital costs, but no such increase would be made before 1969. The coinsurance amounts for long-stay hospital and extended care facility benefits would be correspondingly adjusted. Increases in the hospital deductible will be made only when a \$4 charge is called for and the outpatient deductible will change in \$2 steps.

Basis of reimbursement: Payment of bills under the basic plan would 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 would rest with the Secretary of Health, Education, and Welfare; however, some administration for individuals under the railroad retirement system is vested in the Railroad Retirement Board if certain financing conditions are met, as explained under the next heading. The Secretary would use appropriate State agencies and private organizations (nominated by providers of services) to assist in the administration of the program. Provision is made for the establishment of an Advisory Council

which would advise the Secretary on policy matters in connection with administration.

**Financing:** Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, would be earmarked in a separate hospital insurance trust fund established in the Treasury. The amount of earnings (earnings base) subject to the new payroll taxes would be the same as for purposes of financing social security cash benefits. The same contribution rate would apply equally to employers, employees, and self-employed persons and would be as follows:

	Percent
1966.....	0.35
1967-70.....	.50
1971-72.....	.50
1973-75.....	.55
1976-79.....	.60
1980-86.....	.70
1987 and after.....	.80

The taxable earnings base for the health insurance tax would be \$6,600 a year beginning in 1966.

The schedule of contribution rates is based on estimates of cost which assume that the earnings base will not be increased above \$6,600.

The benefits for railroad retirement eligibles will be financed by the railroad retirement tax, which is automatically increased by the operation of this bill, but the tax will be paid into the hospital insurance trust fund. During any period that the railroad retirement wage base is not equivalent to the hospital insurance earnings base, railroad workers and employers will be taxed as other workers and employers, and the benefits for railroad retirement eligibles will be administered by the Department of Health, Education, and Welfare.

The cost of providing basic hospital and related benefits to people who are not social security or railroad retirement beneficiaries would be paid from general funds of the Treasury.

### 2. Voluntary supplemental medical insurance plan

**General description:** A package of benefits supplementing those provided under the basic plan would be offered to all persons 65 and over on a voluntary basis. Individuals who enroll initially would pay premiums of \$3 a month (deducted, where possible, from social security or railroad retirement benefits). The Government would match this premium with \$3 paid from general funds. Since the minimum increase in cash social security benefits under the bill for workers retiring or who retired at aged 65 or older would be \$4 a month (\$6 a month for man and wife receiving benefits based on the same earnings record), the benefit increases would fully cover the amount of monthly premiums.

**Eligibility:** The proposed supplementary insurance would be available to all people age 65 and over (whether or not they are social security or railroad retirement beneficiaries) who are residents of the United States and either are citizens or aliens admitted for permanent residence who have had 5 years of continuous residence. Any person entitled to the basic hospital insurance benefit would be eligible regardless of the preceding requirements.

**Enrollment:** Persons who have reached age 65 before January 1, 1966, will have an opportunity to enroll in an enrollment period which begins on the first day of the second month after the month of enactment and ends March 31, 1966.

Persons attaining age 65 subsequent to December 31, 1965, will have enrollment periods of 7 months beginning 3 months before the month of attainment of age 65.

In the future, general enrollment periods will be from October to December 31 in each odd-numbered year. The first such period will be October 1 to December 31, 1967.

No person may enroll more than 3 years after the close of the first enrollment period in which he could have enrolled.

There will be only one chance to reenroll for persons who are in the plan but drop out, and the reenrollment must occur within 3 years of termination of the previous enrollment.

Coverage may be terminated (1) by the individual filing notice during an enrollment period, or (2) by the Government for non-payment of premiums.

A State would be able to provide the supplementary insurance benefits for its public assistance recipients who are receiving cash assistance if it chooses to do so.

**Effective date:** Benefits will be effective beginning July 1, 1966.

**Benefits:** The voluntary supplementary insurance plan would cover physicians' services, home health services, and numerous other medical and health services in and out of medical institutions.

There would be an annual deductible of \$50. Then the plan would cover 80 percent of the patient's bill (above the deductible) for the following services:

1. Physicians' and surgeons' services, whether furnished in a hospital, clinic, office, in the home, or elsewhere.
2. Home health service (with no requirement of prior hospitalization) for up to 100 visits during each calendar year.
3. Diagnostic X-ray, diagnostic laboratory tests, and other diagnostic tests.
4. X-ray, radium, and radioactive isotope therapy.
5. Ambulance services.
6. Surgical dressings and splints, casts, and other devices for reduction of fractures and dislocation; rental or durable medical equipment such as iron lungs, oxygen tents, hospital beds, and wheelchairs used in the patient's home, prosthetic devices (other than dental) which replace all or part of an internal body organ; braces and artificial legs, arms, eyes, etc.

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

**Administration by carriers—Basis for reimbursement:** The Secretary of Health, Education, and Welfare would be required, to the extent possible, to contract with carriers to carry out the major administrative functions relating to the medical aspects of the voluntary supplementary plan such as determining rates of payments under the program and holding and disbursing funds for benefit payments. No contract is entered into by the Secretary unless he finds that the carrier will perform its obligations under the contract efficiently and effectively and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent. The contract must provide that the carrier take necessary action to see that where payments are on a cost basis (to institutional providers of service), the cost is a reasonable cost. Correspondingly, where payments are on a charge basis (to physicians or others furnishing noninstitutional services), the carrier must see that such charge will be reasonable and not higher than the charge applicable, for a comparable service and under comparable circumstances, to the other policyholders and subscribers of the carrier. Payment by the carrier for physicians' services will be made on the basis of a receipted bill, or on the basis of an assignment under the terms of which the reasonable charge will be the full charge for the service. In determining reasonable charges, the carriers would consider the customary charges for similar services generally made by the physician or other person or organization furnishing the covered services, and also the

prevailing charges in the locality for similar services.

**Financing:** Aged persons who elect to enroll in the supplemental plan would pay monthly premiums of \$3. Where the individual is currently receiving monthly social security, railroad retirement, or civil service retirement benefits, the premiums would be deducted from his benefits.

The Government would help finance the supplementary plan through a payment from general revenues in an equal amount of \$3 a month per enrollee. To provide an operating fund, if necessary, at the beginning of the supplementary plan, and to establish a contingency reserve, a Government appropriation would be available (on a repayable basis) equal to \$18 per aged person estimated to be eligible when the supplementary plan goes into effect.

The individual and Government contributions would be placed in a separate trust fund for the supplementary plan. All benefit and administrative expenses under the supplementary plan would be paid from this fund.

Premium rates for enrolled persons (and the matching Government contribution) would be increased from time to time if program costs rise, but not more often than once every 2 years. The premium rate for a person who enrolls after the first period when enrollment is open to him or who reenrolls after terminating his coverage would be increased by 10 percent for each full 12 months he stayed out of the program.

**Income tax provisions:** The bill provides that the 3-percent floor on medical expense deductions, as well as the 1-percent limitation on medicines and drugs, is to apply to those age 65 or over in the same manner as it presently applies to those under age 65. This will have the effect of partially recovering the \$3 monthly premium paid from general funds of the Treasury from those aged persons who have taxable income, depending on the amount of their taxable income.

The bill also provides a special deduction, available to those who itemize their deductions, for one-half of any premiums paid for insurance of medical care expenses whether or not they have medical expenses in excess of the 3-percent floor, but this deduction may not exceed \$150 per year.

Another change limits the insurance premiums which may be taken into account to those which arise from coverage of medical care expenses and this must be indicated either on the insurance contract or on a separate statement supplied by the insurance company. Still a further change treats as current, qualifying medical care expenses (subject to limitations) the prepayment before age 65 of insurance for medical care after age 65. Also all maximum limitations on the medical expense deduction for all taxpayers are eliminated.

### 3. Improvement and extension of Kerr-Mills medical assistance program

**Purpose and scope:** In order to provide a more effective Kerr-Mills medical assistance program for the aged and to extend its provisions to additional needy persons, the bill would establish a single and separate medical care program to consolidate and expand the differing provisions for the needy which currently are found in five titles of the Social Security Act.

The new title (XIX) would extend the advantages of an expanded medical assistance program not only to the aged who are indigent but also to needy individuals in the dependent children, blind, and permanently and totally disabled programs and to persons who would qualify under those programs if in sufficient financial need. Other medically needy children may also be included.

Medical assistance under title XIX must be made available to all individuals receiving money payments under these programs and the medical care or services available to all

such individuals must be equal in amount, duration, and scope. Effective July 1, 1967, all children under age 21 must be included who would, except for age, be dependent children under title IV.

Inclusion of the medically indigent aged not on the cash assistance rolls would be optional with the States but if they are included, comparable groups of blind, disabled, and parents and children must also be included if they need help in meeting necessary medical costs. Moreover, the amount and scope of benefits for the medically indigent could not be greater than that of recipients of cash assistance.

Under the bill, the current provisions of law in the various public assistance titles of the act providing vendor medical assistance would terminate upon the adoption of the new program by a State, but in no case later than December 31, 1969.

Scope of medical assistance: Under existing law, the State must provide "some institutional and noninstitutional care" under the medical assistance for the aged program. There are no minimum benefit requirements at all under the other public assistance vendor medical programs.

The bill would require that by July 1, 1967, under the new program a State must provide inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services for individuals 21 years of age or older, and physician's services (whether furnished in the office, the patient's home, a hospital, a skilled nursing home or elsewhere), in order to receive Federal participation. Coverage of other items of medical service would be optional with the States.

Eligibility: The program for the needy elderly would be revised to require that the States must provide a flexible income test which takes into account medical expenses and does not provide rigid income standards which arbitrarily deny assistance to people with large medical bills. In the same spirit the bill provides that no deductible, cost sharing, or similar charge may be imposed by the State as to hospitalization under its program and that any such charge on other medical services must be reasonably related to the recipient's income or resources. Also important is the requirement that elderly needy people on the State programs be provided assistance to meet the deductibles that are imposed by the new basic program of hospital insurance. Also where a portion of any deductible or cost sharing required by the voluntary supplementary program is met by a State program, the portion covered must be reasonably related to the individual's income and resources. No income can be imputed to an individual unless actually available; and the financial responsibility of an individual for an applicant may be taken into account only if the applicant is the individual's spouse or child who is under age 21 or blind or disabled.

Increased Federal matching: The Federal share of medical assistance expenditures under the new program would be determined upon a uniform formula with no maximum on the amount of expenditures which would be subject to participation. There is no maximum under present law on similar amounts for the medical assistance for the aged program. The Federal share, which varies in relation to a State's per capita income, would be increased over current medical assistance for the aged matching so that States at the national average would receive 55 percent rather than 50 percent, and States at the lowest level could receive as much as 83 percent as contrasted with 80 percent under existing law.

In order to receive any additional Federal funds as a result of expenditures under the new program, the States would need to continue their own expenditures at their present rate. For a specified period, any State that did not reduce its own expenditures would

be assured of at least a 5-percent increase in Federal participation in medical care expenditures. As to compensation and training of professional medical personnel used in the administration of the program, the bill would provide a 75-percent Federal share as compared with the 50-50 Federal-State sharing for other administrative expenses.

Administration: The bill provides that any State agency may be designated to administer the program, as long as the determination of eligibility is accomplished by the agency administering the old-age assistance program.

Effective date: January 1, 1966.

**B. CHILD HEALTH AND WELFARE AMENDMENTS**

Maternal and child health, crippled children, and child welfare: The bill would increase the amount authorized for maternal and child health services and crippled children's services over current authorizations by \$5 million for fiscal year 1966 and by \$10 million in each succeeding fiscal year, as follows:

Fiscal year	Existing law	Under bill
1966.....	\$40,000,000	\$45,000,000
1967.....	40,000,000	50,000,000
1968.....	45,000,000	55,000,000
1969.....	45,000,000	55,000,000
1970 and after.....	50,000,000	60,000,000

The bill has made a similar increase in the authorization for the child welfare program.

The increases would assist the States, in these programs, in moving toward the goal of extending services with a view of making them available to children in all parts of the State by July 1, 1975.

Crippled children training personnel: The bill would also authorize \$5 million for the fiscal year 1967, \$10 million for fiscal 1968, and \$17.5 million for each succeeding fiscal year to be for grants to institutions of higher learning for training professional personnel for health and related care of crippled children, particularly mentally retarded children and children with multiple handicaps.

Health care for needy children: A new provision is added authorizing the Secretary of Health, Education, and Welfare to carry out a 5-year program of special project grants to provide comprehensive health care and services for children of school age, or for pre-school children, particularly in areas with concentrations of low-income families. The grants would be to State health agencies, to the State agencies administering the crippled children's program, to any school of medicine (with appropriate participation by a school of dentistry), and any teaching hospital affiliated with such school, to pay not to exceed 75 percent of the cost of the project. Projects would have to provide screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, including dental services, with treatment, correction of defects, and aftercare limited to children in low-income families.

An appropriation of \$15 million would be authorized for the fiscal year ending June 30, 1966; \$35 million for the fiscal year ending June 30, 1967; \$40 million for the fiscal year ending June 30, 1968; \$45 million for the fiscal year ending June 30, 1969; and \$50 million for the fiscal year ending June 30, 1970.

The bill would further authorize an appropriation of \$500,000 each for the fiscal years ending June 30, 1966, and June 30, 1967, for grants for studies of resources, methods and practices for prevention and diagnosis of emotional illness in children and for treatment and rehabilitation of emotionally ill children.

Mental retardation planning: Title XVII of the act would be amended to authorize grants totaling \$2,750,000 for each of 2 fiscal

years—the fiscal year ending June 30, 1966, and fiscal year ending June 30, 1967. The funds would be available during the 3-year period July 1, 1965, to June 30, 1968. The grants would be for the purpose of assisting States to implement and followup on plans and other steps to combat mental retardation authorized under this title of the Social Security Act.

**C. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS**

**1. Benefit changes**

**(a) 7-Percent Cross-the-Board Increase in Old-Age, Survivors, and Disability Insurance Benefits**

The bill provides a 7-percent cross-the-board benefit increase, effective retroactively beginning with benefits for January 1965, for the 20 million social security beneficiaries on the rolls (with a guaranteed \$4 a month minimum increase for retired workers who are age 65 or over in the first month for which they are paid the increased benefit).

Monthly benefits for workers who retire at or after 65 would be increased to a new minimum of \$44 (now \$40) and to a new maximum of \$135.90 (now \$127). In the future, creditable earnings under the increase in the contribution and benefit base to \$6,600 a year (now \$4,800) would make possible a maximum benefit of \$168.

The maximum amount of benefits payable to a family on the basis of a single earnings record would be related to the worker's average monthly earnings at all earnings levels. Under present law, there is a \$254 limit on family benefits which operates over a wide range of average monthly earnings. Under the bill the highest family maximum eventually would be \$368.

**(b) Payment of Child's Insurance Benefits to Children Attending School or College After Attainment of Age 18 and up to Age 22**

H.R. 6675 includes the provision adopted by both House and Senate last year which would continue to pay a child's insurance benefit until the child reaches age 22, provided the child is attending a public or an accredited school, including a vocational school or a college, as a full-time student after he reaches age 18. Children of deceased, retired, or disabled workers would be included. No mother's or wife's benefits would be payable if the only child in the mother's care is one who has attained age 18 but is in school.

This provision will be effective January 1, 1965. It is estimated that 295,000 children will be eligible for benefits for September 1965, when the school year begins.

**(c) Benefits for Widows at Age 60**

The bill would provide the option to widows of receiving benefits beginning at age 60, with the benefits payable to those who claim them before age 62 being actuarially reduced to take account of the longer period over which they will be paid. Under present law, full widow's benefits and actuarially reduced worker's and wife's benefits are payable at age 62.

This provision, adopted by both Houses of Congress last year would be effective for the second month after the month of enactment. It is estimated that 185,000 widows will claim benefits during the first year of operation under this provision.

**(d) Amendment of Disability Program**

(1) Definition of disability: The bill would eliminate the present requirement that a worker's disability must be expected to be of long continued and indefinite duration, and instead provide that an insured worker worker would be eligible for disability benefits if he has been under a disability which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 calendar months. Benefits payable by reason of this

change would be paid for the second month following the month of enactment. An estimated 60,000 people—disabled workers and their dependents—will become immediately eligible for benefits as a result of this change.

(ii) Disability benefits offset provision: The bill provides that the social security disability benefit for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings under social security prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in national average earnings levels. The offset provision will be applicable with respect to benefits payable for months after December 1965 on the basis of disabilities commencing after June 1, 1965.

(iii) Blindness as a disabling factor:  
 (a) Young workers who are blind and disabled: Establishes alternative insured status requirement for workers disabled before age 31 of one-half of the quarters elapsing after age 21 up to the point of disability with a minimum of six quarters. [For insured status under existing law, an individual (1) must have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability begins and (2) must be fully insured.] To qualify for this alternative the worker would have to meet the statutory definition of blindness for the disability "freeze." (Central visual acuity of 5/200 or less in the better eye with use of correcting lens. An eye in which the visual field is reduced to 5° or less concentric contraction shall be considered as having a visual acuity of 5/200 or less.) Worker will, however, have to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.

(b) Older workers who are blind and disabled: Provides that those individuals aged 55 or over who meet the statutory definition of blindness in the disability "freeze" could qualify for cash benefits on the basis of their inability to engage in their past occupation or occupations. Their benefits would not be paid, however, if they were actually engaging in any substantial gainful activity.

(iv) Rehabilitation services: Reimbursement from the social security trust funds to State vocational rehabilitation agencies would be provided for the cost of rehabilitation services furnished to individuals who are entitled to disability insurance benefits or to disabled child's benefits. The total amount of the funds that could be made available from the trust funds for purposes of reimbursing State agencies for such services could not, in any year, exceed 1 percent of the social security disability benefits paid in the previous years.

(v) Entitlement to disability benefits after entitlement to benefits payable on account of age: Under the bill, a person who becomes entitled before age 65 to a benefit payable on account of old age could later, before he reaches age 65, become entitled to disability insurance benefits.

(vi) Allocation of contribution income between old-age, survivors insurance and disability insurance trust funds: Under the bill, an additional 0.2 percent of taxable wages and 0.15 percent of taxable self-employment income would be allocated to the disability insurance trust fund, bringing the total allocation to 0.70 percent and 0.525 percent, respectively, beginning in 1966.

(e) Benefits to Certain Persons at Age 72 or Over

A provision approved by the House and Senate last year, which would liberalize the eligibility requirements by providing a basic benefit of \$35 to certain elderly persons with a minimum of three quarters of coverage acquired at any time since the beginning

of the program in 1937 was adopted. To accomplish this, a new concept of "transitional insured status" is provided. Present law requires a minimum of six quarters of coverage in employment or self-employment.

(i) Men and women workers: Under the "transitional insured status" provision a worker could qualify for benefits at age 72 if he had one quarter of coverage for each year that elapsed after 1950 and up to the year in which he reached age 65 (62 for women), with a minimum of three quarters. Those quarters could have been acquired at any time since the inception of the program in 1937. Wives of workers who qualify under this provision would be eligible for benefits if they reached age 72 before 1969. For workers who reached age 65 (62 for women) after 1956, the quarters of coverage requirement merges with the present minimum requirement of six quarters.

The following table illustrates the operation of the "transitional insured status" provision for workers.

*Transitional insured status requirements with respect to workers benefits*

Men		Women	
Age (in 1965)	Quarters of coverage required	Age (in 1965)	Quarters of coverage required
76 or over.....	3.	73 or over....	3.
75.....	4.	72.....	4.
74.....	5.	71.....	5.
73 or younger..	6 or more.	70 or younger.	6 or more.

<sup>1</sup> Benefits will not be payable, however, until age 72

(ii) Widows: Any widow who attains age 71 in or before 1965, if her husband died or reached age 65 in 1954 or earlier, could get a widow's benefit when she is aged 72 or over if her husband had at least three quarters of coverage. Present law requires six quarters. If the husband of such a widow died or reached 65 in 1955, the requirement would be four quarters. If he died or reached 65 in 1956, the requirement would be five quarters. If he died or reached 65 in 1957 or later, the minimum requirement would be six quarters or more, the same as present law.

For widows reaching age 72 in 1967 and 1968, there is a "grading in" of the quarters of coverage requirement; which would be four or five quarters of coverage, respectively. Widows reaching age 72 in 1969 or after would be subject to the requirements of existing law of six or more quarters of coverage.

The table below sets forth the requirements as to widows:

*Transitional insured status requirements with respect to widow's benefits*

Year of husband's death (or attainment of age 65, if earlier)	Present quarters required	Proposed quarters required for widow attaining age 72 in—		
		1966 or before	1967	1968
1954 or before...	6.....	3.....	4.....	5.....
1955.....	6.....	4.....	4.....	5.....
1956.....	6.....	5.....	5.....	5.....
1957 or after.....	6 or more.	6 or more.	6 or more.	6 or more.

(iii) Basic benefits: Men and women workers who would be eligible under the above-described provisions for workers would receive a basic benefit of \$35 a month. A wife who is aged 72 or over (and who attains that age before 1969) would receive one-half of this amount, \$17.50. No other dependents' basic benefits would be provided under these provisions.

Widows would receive \$35 a month under the above-described provision.

These provisions would become effective for the second month after the month of enactment, at which time an estimated 355,000 people would be able to start receiving benefits.

(f) Retirement Test

The bill would liberalize the retirement test provision in present law under which benefits are decreased in relation to a beneficiary's earnings over \$1,200 in a year. Under existing law, the first \$1,200 a year is fully exempted, and there is a \$1 reduction in benefits for each \$2 of annual earnings between \$1,200 and \$1,700 and for each \$1 of earnings thereafter. Under the bill, the first \$1,500 a year would be fully exempted and there would be a \$1 reduction in benefits for each \$2 of earnings between \$1,500 and \$2,700 and for each \$1 of earnings thereafter. In addition, the amount of earnings a beneficiary may have in a month and get full benefits for that month regardless of his annual earnings would be raised from \$100 to \$125. These changes are effective for taxable years ending after 1965.

Also exempted are certain royalties received in or after the year in which a person reaches age 65, from copyrights and patents obtained before age 65, from being counted as earnings for purposes of the retirement test, effective for taxable years beginning after 1964.

For 1966, an estimated 750,000 persons—workers and dependents—either will receive more benefits under these provisions than they would receive under present law, or will receive some benefits where they would receive no benefits under present law.

(g) Wife's and Widow's Benefits for Divorced Women

The bill would authorize payments of wife's widow's benefits to the divorced wife of a retired, deceased, or disabled worker if she had been married to the worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by a court to make) a substantial contribution to her support when he became entitled to benefits, became disabled, or died. H.R. 6675 would also provide that a wife's benefits would not terminate when the woman and her husband are divorced if the marriage has been in effect for 20 years. Provision is also made for the reestablishment of benefit rights for a divorced wife, a widow, or a surviving divorced wife who remarries and the subsequent marriage ends in divorce, annulment, or in the death of the husband. These changes are effective for the second month following the month of enactment.

(h) Continuation of Widow's and Widower's Insurance Benefits After Remarriage

Under present law, a widow's and widower's benefits based on a deceased worker's social security earnings record generally stop when the survivor remarries. The bill provides that benefits would be payable to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit would be equal to 50 percent of the primary insurance amount of the deceased spouse (if that amount is higher than her wife's benefit as a result of the remarriage) rather than 82½ percent of that amount, which is payable to widows and widowers who are not remarried.

(i) Adoption of Child by Retired Worker

The provisions relating to the payment of benefits to children who are adopted by old-age insurance beneficiaries would be changed to require that, where the child is adopted after the worker becomes entitled to an old-age benefit, (1) the child must be living with the worker (or adoption proceedings have begun) in or before the month when application for old-age benefits is filed; (2) the child must be receiving one-half of his support for the entire year before the worker's entitlement; and (3) the adoption must be

completed within 2 years after the worker's entitlement.

(j) Definition of Child

(1) A child would be paid benefits based on his father's earnings without regard to whether he has the status of a child under State inheritance laws if the father was supporting the child or had a legal obligation to do so. Under present law, whether a child meets the definition for the purpose of getting child's insurance benefits based on his father's earnings depends on the laws applied in determining the devolution of interstate personal property in the State in which the worker is domiciled. This provision would be effective for the second month after the month of enactment. It is estimated that 20,000 individuals (children and their mothers) will become immediately eligible for benefits under this provision.

(ii) Also an exception is provided so that child's benefits would not terminate if child is adopted by his brother or sister after death of worker. Under present law benefits terminate unless he is adopted by his step-parent, grandparent, uncle, or aunt after death of worker on whose earnings record he is getting benefits.

2. Coverage changes

The following coverage provisions were included:

(a) Physicians and Interns

Self-employed physicians would be covered for taxable years ending on or after December 31, 1965. Interns would be covered beginning on January 1, 1966.

(b) Farmers

Provisions of existing law with respect to the coverage of farmers would be amended to provide that farm operators whose annual gross earnings are \$2,400 or less (instead of \$1,600 or less as in existing law) can report either their actual net earnings or 66% percent (as in present law) of their gross earnings. Farmers whose annual gross earnings are over \$2,400 would report their actual net earnings if over \$1,600, but if actual net earnings are less than \$1,600, they may instead report \$1,600. (Present law provides that farmers whose annual gross earnings are over \$1,800 report their actual net earnings if over \$1,200, but if actual net earnings are less than \$1,200, they may report \$1,200.)

(c) Cash Tips

Cash tips received after 1965 by an employee in the course of his employment will be covered as wages for social security and income-tax withholding purposes, except that employers will not be required to pay the social security employer tax on the tips. However, for tips to be subject to withholding for either income tax or social security tax purposes, the tips must be paid in cash and must amount to more than \$20 a month. The tips still represent compensation even though less than \$20 a month or even though paid in other than cash, but would not, under either of these conditions, be subject to withholding for income tax or social security tax purposes.

The employee will be required to give his employer a written report of his tips within 10 days after the end of the month in which the tips are received (or at such other times as is provided by regulations); to the extent that unpaid wages due an employee and in the possession of the employer are insufficient to pay the employee social security tax due on the tips, the employee will be permitted (but not required) to make available to the employer sufficient funds to pay the employee social security tax. To the extent that the employer does not have sufficient wage payments to offset the required withholding, he notifies the employee and the employee reports this amount to the Government directly.

The employer will be required to withhold the employee social security tax only on tips reported to him within the specified time and for which he has sufficient funds of the employee out of which to pay the tax. He will be liable for withholding income tax on only those tips that are reported to him within 10 days after the end of the month in which the tips were received, and then only to the extent that he can collect the tax (at or after the time the tips are reported to him and before the close of the calendar year in which the tips were received) from unpaid wages (not including tips), or from funds turned over to him for that purpose remaining after an amount equal to the amount due for the social security tax has been subtracted.

As indicated, these amendments apply with respect to tips received by employees in 1966 and subsequent years.

(d) State and Local Government Employees

Several changes would facilitate coverage in this area:

(i) Added Alaska as a State which can provide coverage for State and local employees under the split-system provision; also validated the past coverage of certain school districts in Alaska.

(ii) Reopened until July 1, 1967, a provision of law permitting the State of Maine to treat teaching and nonteaching employees actually in the same retirement system as though they were in separate retirement systems for social security coverage purposes.

(iii) Authorized the State of Iowa and the State of North Dakota to modify their coverage agreements to exclude from social security coverage certain service performed in any calendar quarter in the employ of a school, college, or university by a student if the remuneration for such service is less than \$50.

(iv) Authorized another opportunity, through 1966, for the election of coverage by State and local government retirement system members who originally did not choose coverage under the divided retirement system provision, under which current employees have a choice of coverage.

(v) Authorized California to modify its coverage agreement to extend coverage to certain hospital employees whose positions were removed from a State or local government retirement system. The State will have until the end of the sixth month after the month of enactment to take action under this provision.

(e) Exemption of Certain Religious Sects

Members of certain religious sects who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of such sects could be exempt from the social security tax on self-employment income upon application accompanied by a waiver of benefits.

(f) Nonprofit Organizations

Nonprofit organizations, and their employees who concur, could elect social security coverage effectively retroactively for a period up to 5 years (rather than 1 year, as under present law). Also, wage credit could be given for the earnings of certain employees of nonprofit organizations who were erroneously reported for social security purposes.

(g) District of Columbia Employees

The bill provides for social security coverage of certain employees of the District of Columbia (primarily substitute school teachers).

(h) Ministers

Social security credit could be obtained for the earnings of certain ministers which were reported but which cannot be credited under present law. Also the bill reopened until April 15, 1966, the period (which ex-

pired on April 15, 1965) during which ministers who have been in the ministry for at least 2 years may file waiver certificates electing social security coverage.

3. Miscellaneous

(a) Filing of Proof

The period of filing of proof of support for dependent husband's, widower's, and parent's benefits, and for filing application for lump-sum death payments where good cause exists for failure to file within the initial 2-year period, is extended indefinitely.

(b) Automatic Recomputation of Benefits

Benefits of people on the rolls would be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year and that would increase his benefit amount. Under existing law there are various requirements that must be met in order to have benefits recomputed, including filing of an application and earnings of over \$1,200 a year after entitlement.

(c) Military Wage Credits

The present provision authorizing reimbursement of the trust funds out of general revenue for gratuitous social security wage credits for servicemen is revised so that such payments will be prepaid uniformly over the next 50 years.

(d) Extension of Life of Applications

The bill liberalizes the requirement in existing law that an application for monthly insurance benefits be valid for only 3 months after the date of filing, and for disability benefits 3 months before the beginning of the waiting period. The bill would allow an application to remain valid up until the time the Secretary makes a final decision on the application.

(e) Authorization for One Spouse To Cash a Joint Check

The Secretary would be authorized to make a temporary overpayment so as to permit a surviving spouse to cash a benefit check issued jointly to a husband and wife if one of them dies before the check is negotiated; any overpayment resulting from the cashing of the joint check would be recovered.

(f) Attorney's Fees

A provision is incorporated which would permit a court that renders a judgment favorable to a claimant in an action arising under the social security program to set a reasonable fee (not in excess of 25 percent of past due benefits which become payable by reason of the judgment) for an attorney who successfully represented the claimant. The Secretary would be permitted to certify payment of the fee to the attorney out of such past due benefits.

(g) Waiver of 1-Year Marriage Requirement

The bill provides an exception to the 1-year duration requirement as to social security benefits for any widow, wife, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child.

(h) Social Security Records

The Social Security Administration is required to furnish the address to help locate a deserting parent or husband to a welfare agency or court on condition that information be transmitted through a welfare agency, that an actual public assistance case be involved and a court order for support have been issued, and that all nondisclosure provisions be complied with.

4. Financing of social security programs

Earnings base: The bill provides an earnings base of \$6,600 effective in 1966. The earnings base in existing law is \$4,800.

The following are the tax rates for the old-age, survivors, and disability insurance system:

**OASDI tax rates**  
(In percent)

Years	Employer-employee rate (combined)	Self-employed rate
1966.....	7.7	5.8
1967-68.....	7.8	5.9
1969-72.....	8.8	6.6
1973 and after.....	9.7	7.0

The allocation to the disability insurance trust fund is set at 0.70 percent of taxable wages and 0.525 of self-employment income. The figures under existing law are 0.50 and 0.375 percent, respectively.

**5. Number of people immediately affected by OASDI changes in first full year, 1966**

Provision:

7-percent benefit increase (\$4 minimum in primary benefits).....	20,000,000
Reduced benefits for widows at age 60.....	185,000
Benefits for people aged 72 and over with limited periods in covered work.....	355,000
Improvements in benefits for children:	
Benefits for children to age 22 if in school.....	295,000
Broadened definition of "child".....	20,000
Modifications in disability provisions:	
Change in definition.....	60,000
Liberalized requirements for benefits for the blind.....	7,000
Modification of earnings test.....	175,000

<sup>1</sup>Number affected in 1966; modification does not become effective until then.

**D. PUBLIC ASSISTANCE AMENDMENTS**

**1. Increased assistance payments**

The Federal share of payments under all State public assistance programs is increased a little more than an average of \$2.50 a month for the needy aged, blind, and disabled, and an average of about \$1.25 for needy children, effective January 1, 1966. This is brought about by revising the matching formula for the needy aged, blind, and disabled (and for the adult categories in title XVI), to provide a Federal share of \$31 out of the first \$37 (now twenty-nine thirty-fifths (29/35) of the first \$35) up to a maximum of \$75 (now \$70) per month per individual on an average basis. The matching formula is revised for aid to families with dependent children so as to provide a Federal share of five-sixths (5/6) of the first \$18 (now fourteen-seventenths (14/17) of the first \$17) up to a maximum of \$32 (now \$30). A provision is included so that States will not receive additional Federal funds except to the extent they pass them on to individual recipients.

Effective January 1, 1966. Cost: About \$150 million a year.

**2. Tubercular and mental patients**

The exclusion was removed from Federal matching in old-age assistance and medical assistance for the aged programs (and for combined program, title XVI) as to aged individuals who are patients in institutions for tuberculosis or mental diseases or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional Federal money. Provides that States will receive not more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs. Also removes restrictions as to Federal matching

for needy blind and disabled who are tubercular or psychotic and are in general medical institutions. Effective January 1, 1966. Cost about \$75 million a year.

**3. Aid to families with dependent children in school**

A provision, optional with the States, allows them to continue making payments to dependent children who have attained age 18 but continue in school up to age 21. Present law calls for regular attendance at a high school or vocational school. The bill would extend this to attendance at a school, college, or university.

**4. Protective payments to third persons**

The bill includes a provision for protective payments to third persons on behalf of recipients of old-age assistance, aid to the blind, aid to the permanently and totally disabled, and those on combined adult program (title XVI), unable to manage their money because of physical or mental incapacity. Effective January 1, 1966.

**5. Income exemptions under public assistance**  
(a) Old-Age Assistance

The earnings exemption under the old-age assistance program (and aged in combined program) is increased so that a State may, at its option, exempt the first \$20 (now \$10) and one-half of the next \$60 (now \$40) of a recipient's monthly earnings. Effective October 1, 1965. Cost: About \$1 million first year.

(b) Aid to Families With Dependent Children

The bill allows the State, at its option, to disregard up to \$150 per family per month of earned income of any dependent children under the age of 18 in the same home, but no child could have earnings of more than \$50 per month exempted. Effective July 1, 1965.

(c) Aid to the Permanently and Totally Disabled

An exemption of earnings is added so that, at the option of the State, the first \$20 per month of earnings of recipients and one-half of the next \$60 could be exempted. In addition, any additional income and resources could be exempted as part of an approved plan to achieve self-support during the time the recipient was undergoing vocational rehabilitation. Effective October 1, 1965.

(d) Income Exemption for all Public Assistance Programs

Allowed States, at their option, to disregard not more than \$5 per month per recipient of any income in all five public assistance programs. Effective October 1, 1965.

(e) Aid-Age, Survivors, and Disability Insurance (Retroactive Increase)

States would be allowed to disregard so much of the OASDI benefit increase (including the children in school after 18 modification) as is attributable to its retroactive effective date.

(f) Economic Opportunity Act Earning Exemption

H.R. 6675 also provides a grace period for action by States that have not had regular legislative sessions, whose public assistance statutes now prevent them from disregarding earnings of recipients received under titles I and II of the Economic Opportunity Act.

(g) Income Exempt Under Another Assistance Program

A provision is added so that any amount of income which is disregarded in determining eligibility for a person under one of the public assistance programs shall not be considered in determining the eligibility of another individual under any other public assistance program.

**6. Uniform matching**

The bill permits a State that has a medical assistance program under title XIX to claim Federal sharing in total expenditures

for money payments under other titles, under the same formula used for determining the Federal share for medical assistance under title XIX.

**7. Definition of medical assistance for aged**

The definition of medical assistance for the aged is modified so as to allow Federal sharing as to old-age assistance recipients for the month they are admitted to or discharged from a medical institution.

**8. Judicial review of State plan denials**

The bill provides for judicial review of the denial of approval by the Secretary of Health, Education, and Welfare of State public assistance plans and of his action under such programs for noncompliance with State plan conditions in the Federal law.

**E. ACTUARIAL DATA RELATING TO BILL**

**TABLE 1.—Summary of 1st-year costs under H.R. 6675**

(In millions of dollars)

	Trust funds		
	House	Senate	Conference
Health care programs:			
Basic hospital insurance.....	2,190	2,403	2,210
Voluntary supplementary medical MAA liberalization.....	1,600	1,600	600
Total.....	2,790	3,003	2,810
OASDI:			
7 percent benefit increase.....	1,430	1,470	1,470
Child school benefits.....	195	195	195
Broader definition of child.....		10	10
Child disabled at 18 to 21.....		120	5
Blind disability.....			
Reduced benefits at 60.....	165	590	165
Transitional benefits at 72.....	140	140	140
Disability definition.....	105	40	40
Retirement test.....	65	590	295
Total.....	2,100	3,165	2,320
Public assistance and child health:			
Increase in formula, TB and mental exclusion.....			
Coverage of MAA, Maternal and child health.....			
Miscellaneous.....			
Total.....			
Income tax changes.....			
Total, all programs.....	4,890	6,169	5,130

**General Treasury**

	House	Senate	Conference
Health care programs:			
Basic hospital insurance.....	275	295	290
Voluntary supplementary medical MAA liberalization.....	600	600	600
Total.....	1,075	1,095	1,090
OASDI:			
7 percent benefit increase.....			
Child school benefit.....			
Broader definition of child.....			
Child disabled at 18 to 21.....			
Blind disability.....			
Reduced benefits at 60.....			
Transitional benefits at 72.....			

Footnote at end of table.

TABLE 1.—Summary of 1st-year costs under H.R. 6675—Continued [In millions of dollars]

	General Treasury		
	House	Senate	Conference
OASDI—Continued Disability definition			
Retirement test			
Total			
Public assistance and child health:			
Increase in formula TB and mental exclusion	150	150	150
Coverage of M.A. Maternal and child health	75	75	75
Miscellaneous	60	61	61
Total	6	13	13
Income tax changes	291	349	339
Total, all programs	-82		-97
Grand total, House	1,284	1,444	1,332
Grand total, Senate		6,174	
Grand total, conference		7,612	
		6,462	

1 Contributions of participants.

TABLE 2 OASDI TAX RATES [In percent]

Years	Employer-employee rate			Self-employed rate, conference
	House	Senate	Conference	
1966	8.0	7.7	7.7	5.8
1967-68	8.0	7.7	7.8	5.9
1969-72	8.8	9.0	8.8	6.6
1973 and after	9.6	9.9	9.7	7.0

HI TAX RATES

Years	House	Senate	Conference	Self-employed rate, conference
1966	0.7	0.65	0.7	0.35
1967-70	1.0	1.0	1.0	.50
1971-72	1.0	1.1	1.0	.60
1973-75	1.1	1.3	1.1	.65
1976-79	1.2	1.4	1.2	.60
1980-86	1.4	1.6	1.4	.70
1987 and after	1.6	1.7	1.6	.80

COMBINED OASDI AND HI TAX RATES AND TAXES UNDER CONFERENCE AGREEMENT

Years	Employer-employee		Self-employed	
	Rate	Maximum amount	Rate	Maximum amount
1966	8.4	\$554.40	6.15	\$405.90
1967-68	8.8	580.80	6.40	422.40
1969-72	9.8	646.80	7.10	458.60
1973-75	10.8	712.80	7.55	498.30
1976-79	10.9	719.40	7.60	501.60
1980-86	11.1	732.60	7.70	508.20
1987 and after	11.3	745.80	7.80	514.80

TABLE 3.—Changes in actuarial balance of OASDI system, expressed in terms of estimated level-cost as percentage of taxable payroll

Item	OASI	DI	Total
Actuarial balance of previous system	+ .014	- 0.13	+ 0.01
Earnings base increase to \$6,500	+ .51	+ .04	+ .55
Revised contribution schedule	+ .09	+ .20	+ .29
Extensions of coverage	+ .01		+ .01
7 percent benefit increase	- .50	- .05	- .64
Earnings test liberalization	- .14		- .14
Child's benefits to age 22 if in school	- .10	- .02	- .12

TABLE 3.—Changes in actuarial balance of OASDI system, expressed in terms of estimated level-cost as percentage of taxable payroll—Continued

Item	OASI	DI	Total
Reduced widow's benefits at age 60			
Disability definition revision		- .01	- .01
Transitional insured status at age 72	- .01		- .01
Broader definition of "child"	- .01		- .01
Total effect of changes	- .24	+ .18	- .08
Actuarial balance of bill	- .10	+ .03	- .07

TABLE 4.—Actuarial balance of HI system, expressed in terms of estimated level-cost as percentage of taxable payroll

[Level-cost in percent]	
Hospital and extended care facility benefits	1.19
Outpatient diagnostic benefits	.01
Home health service benefits	.03
Total benefits	1.23
Contributions	1.23
Actuarial balance	0.00

Prepared by Robert J. Myers, Chief Actuary, Social Security Administration, Department of Health, Education, and Welfare, July 21, 1965.

Mr. LONG of Louisiana. Mr. President, I am pleased to see that the senior Senator from New Mexico [Mr. ANDERSON] is present in the Chamber on this occasion. I salute him for the great contribution he has made to this legislation.

Some of the most significant and controversial provisions of this measure are matters for which he labored long and hard. He has known both victory and defeat in fighting these battles. I know that the enactment of this bill is a great victory for the Senator.

As one who worked with him in studying, voting, and helping to enact this legislation, I express to the Senator my great appreciation for his diligent work on this measure.

I have mentioned this matter before, but I particularly thank him on this occasion for the excellent work he did as a Senate conferee.

I believe the Senator from New Mexico was present during almost every moment of the conference during the full week of morning and afternoon sessions. He was one of the most effective Senators in the committee, on the floor, and in conference.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. ANDERSON. Mr. President, I appreciate the statement of the Senator from Louisiana. I hope that the Senator from Louisiana and other Senators realize the great contribution which was made by the Senator from Louisiana. The Senator from Louisiana is a vigorous campaigner inside the conference room as well as on the floor.

I believe that the Senator from Louisiana performed a distinguished service on this measure. I thank the Senator for myself, and on behalf of the Senate.

I believe that we should take note of the vote by which this measure was passed in the House. While 237 Demo-

crats and 70 Republicans voted for the measure, 48 Democrats and 68 Republicans voted against the measure. There was a ratio of 5 to 1 on the Democratic side voting for the measure. I believe this is a remarkable achievement. It demonstrates the character of the legislation.

A great debt of thanks is owed to other Senators for the work that has been done on behalf of this measure.

Those of us who have been through two or three fights on this matter know how hard vote getting is. The passage of this measure is a great achievement for us all.

Mr. LONG of Louisiana. The Senator from New Mexico worked very long and hard for the medicare sections of this measure. I recall some years ago when the Senator had fought so diligently for that most controversial feature of the bill and lost, that I saw a picture in the newspaper of the Senator congratulating the victor on that occasion, the late Senator from Oklahoma, Mr. Kerr.

The Senator has proved to us throughout the years that he can be both a good winner and a good loser. Many people find it difficult to be both a good winner and a good loser. The Senator has worth in this regard. I again salute him.

While the ranking Republican member on our committee, the senior Senator from Delaware [Mr. WILLIAMS] did not feel that he could in conscience support the measure, he acted in the best traditions of the Senate. He did not delay the bill. He expedited its consideration. He made clear his feelings that he did not wish to vote for the measure, but that he also did not wish to impede the Senate in its work in the committee, on the floor, or in conference. The Senator from Delaware urged that the Senate proceed with its business and decide these important matters, rather than save them until later, because he felt that they are important matters to the Nation.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. ANDERSON. Mr. President, the Senator said that I was present at the conference at all times. I was. I am glad that I did not miss a moment of the conference.

I believe it should also be noted that, along with the Senator from Delaware [Mr. WILLIAMS], the Senator from Kansas [Mr. CARLSON] did a marvelous job during the consideration of this measure. Neither the Senator from Delaware nor the Senator from Kansas delayed the matter unnecessarily.

They presented their point of view rather vigorously, almost too vigorously at times, but always honestly.

I believe that the Senate can, and should, be proud of these Senators for the work they did. I want the RECORD to show that the Senator from Delaware and the Senator from Kansas were fine conferees on the part of the Senate.

Mr. LONG of Louisiana. They both worked very hard to improve the bill. Even though I suspect that my friend the Senator from Delaware, may not vote for the conference report when it

comes to a final vote, he nevertheless worked to make it the best bill possible. He signed the conference report, as did the Senator from Kansas, even though, in a number of instances, he was working as a Senate conferee to improve a bill which he opposed as a Member of the Senate.

I feel that the action of Senators has been in the best tradition of statesmanship, in that, while they opposed certain features of the measure, they sought to support the will of the Senate in the conference in order to make the measure the best bill that could be hammered out by Congress and by the conferees.

I also wish to make reference to the Senator from Florida [Mr. SMATHERS], who was an extremely helpful conferee and who worked diligently to sustain the Senate position on the Senate amendments.

We were not always able to obtain everything that we wanted. On some amendments we very reluctantly had to yield. We fought vigorously, on some occasions for several hours on end, to try to see that the position of the Senate was respected by the House. We tried to make the will of the Senate prevail. I believe that from the point of view of the Senate, this has been a successful conference, even though we would have liked to prevail to an even greater extent.

Mr. ANDERSON. Mr. President, I believe that a word or two must be said concerning the able chairman of the committee, the senior Senator from Virginia [Mr. BYRD]. Although the Senator from Virginia was opposed to the bill, at all times he expedited the work of the committee. He evidenced a very fine attitude throughout the conference, from which he emerged with more respect and friendship than he had before the conference.

Mr. LONG of Louisiana. Mr. President, I thank the Senator from New Mexico. I certainly share his viewpoint.

As I said in my speech on the bill when it passed the Senate, the distinguished chairman of the committee, the senior Senator from Virginia [Mr. BYRD], even though he was adamantly opposed to the bill, voted consistently to improve the bill in every respect.

The Senator from Virginia did nothing whatever to impede the action on the measure. In fact, he cooperated so that in the end the measure represents the prevailing view of the Senate, even though there were many items to which he could not in conscience subscribe.

I join the Senator from New Mexico in all of his statements with regard to the Senators mentioned and with regard to all committee members. I am sure it would apply to the Senate as a whole.

I pay tribute to our distinguished chairman for his statesmanship and devotion to duty and to the best traditions of the U.S. Senate.

GRACE PERIOD FOR STATES TO COME INTO CONFORMITY WITH TITLE XIX OF SOCIAL SECURITY ACT

Mr. KUCHEL. Mr. President, I deeply regret that the House-Senate conferees did not see fit to accept all of the amendment which I successfully offered

in the Senate pertaining to the public assistance provisions of the Social Security Act.

Amendment 513 added two provisions—a new section 1118 of the Social Security Act—relating to the Federal share of expenditures for public assistance. First, it would permit any State which has in effect a plan approved under the new title XIX, which is the consolidated and expanded Kerr-Mills program, to claim equal Federal participation in its expenditures under all of its Federal-States public assistance programs by application of the new formula contained in title XIX instead of using the varying formulas in the existing titles.

Second, it would permit any State, for the period January 1 through June 30, 1966, which could meet substantially all of the objectives and requirements of the new title XIX under its assistance programs approved under the other titles of the Social Security Act to receive Federal participation in its medical assistance expenditures by application of the formula provided in title XIX and, at its option, to have this formula applied in determining the Federal share for its money payments.

No similar provisions were in the House bill. The House-Senate conferees agreed to the general Federal-State matching provisions of my amendment, but, regretfully, rejected the grace period provision.

This latter provision was an optional provision. It did not require the States to choose that route. They could seek implementing legislation from their State legislatures immediately, rather than choose the route of the grace period through June 30, 1966. The fundamental reason for providing this alternative was that in several States, State senates are under court orders to reapportion. In four instances—Connecticut, Hawaii, Vermont, and Washington—the Federal courts originally held that the legislature or the State senate could not meet except for the purpose of redistricting itself. While these orders were subsequently modified, it is possible in the foreseeable future that as a result of a court order there will be a hiatus or vacuum in political power in several of our States until the reapportionment question is resolved. The result would be that the legislature or part of it could not meet to pass implementing legislation and take advantage of the new and improved Kerr-Mills program which will go into effect on January 1, 1966. The California State Legislature is now under Federal court order to reapportion. Final court decree has not yet been handed down. I do not know what the nature of it may be. That is the reason for providing a grace period which could be utilized by my State or any other State which finds itself in a similar situation.

I regret to say that the California State administration bitterly opposed this provision and were largely responsible for its being deleted. They argued, and I quote from a letter dated July 14, 1965, by Paul D. Ward, administrator of the health and welfare agency, written on behalf of Governor Brown:

This amendment would not avoid the necessity of action by the State legislature nor would we deem this to be the proper course even if it were possible. For example, the legislature would have to be reconvened to modify present statutory limitation on PAMC.

Mr. Ward goes on to make what essentially are administrative arguments that it would be better to secure the necessary enabling legislation. No one can deny that. But that is not the question. The question is: If you cannot secure a meeting of the legislature because one house or both houses may be under a court order not to meet on substantive matters until they have redistricted, then what do you do? In brief, the State administration, rather than support an alternative procedure, which it could exercise at its sole option, should the court not rule as they think it will, would restrict itself to no alternative but to deprive needy citizens in California of the necessary Federal matching funds, should the court initially rule as they did in these other States. This is a gamble which ought not to be undertaken. Maybe the State administration will be right on its gamble. For the sake of my fellow Californians, I hope so. But I think it is an unnecessary risk to take when people's livelihoods and health needs are at stake.

**SOCIAL SECURITY AMENDMENTS OF  
1965—CONFERENCE REPORT**

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes.

Mr. SALTONSTALL. Mr. President—

The VICE PRESIDENT. The Senator from Massachusetts is recognized.

Mr. SALTONSTALL. Is the conference report on the medicare bill now before the Senate?

Mr. LONG of Louisiana. The Senator is correct.

Mr. SALTONSTALL. I shall vote for the conference report as I voted for the bill, but I should like to ask the Senator in charge of the bill, the distinguished majority whip, two questions, if I may. My questions are as follows:

First. Why was it necessary, in the opinion of the Senator, to require 3 days of hospitalization before a man could receive home care? It seems to me that such a requirement would lead to abuse of hospital privileges, and that the amendment was a very wise one.

Mr. LONG of Louisiana. The House position was that if we did not do what

the conferees decided upon, many people would proceed to draw benefits for home health service who were not actually sick enough to require hospitalization. The House conferees felt that they did not wish to provide, under the basic hospital program, care for people who were not that sick. It was felt that people should be afflicted with an illness sufficiently clear to require hospitalization before they would be qualified for nursing home care or before they would qualify for home health service. They also pointed out that there is home health care without hospitalization under the voluntary supplementary program.

It was felt that a great deal of money would be spent under the basic program for medical expenses in situations in which a person was sufficiently ill to stay home and go to bed for a few days, but was not sufficiently ill to require hospitalization.

Mr. SALTONSTALL. The conferees felt—and the Senator agrees—that there might be more abuse in not having a man or woman go to a hospital for 3 days than to have it otherwise.

Mr. LONG of Louisiana. Yes.

Mr. SALTONSTALL. There would be less abuse in having a person hospitalized before he was eligible to receive nursing-home care rather than providing the home care without the hospitalization.

Mr. LONG of Louisiana. Yes. Some of us pointed out the great savings that could be achieved, if, in line with the position of the Senator from Massachusetts, we would not require that a person go to a hospital first if that person were sick and needed help in order to qualify that person for entry into a nursing home or for home health benefits. According to the House position, the argument against that procedure was that if we did not require a person to be hospitalized, a great deal of home health care would be required for people who were not ill enough to justify health treatment under the basic program.

It was felt that, above all, we must try to avoid mere custodial care of people who are in poor health and who will continue to be in poor health but who could not qualify under the acute illness requirements of the basic program.

Mr. SALTONSTALL. Then we must try to follow out the program as it is now arranged and see how it works. I hope that the conferees on the part of the Senate and other members of the Finance Committee will be open to a thought on that subject after a certain amount of trial experience.

Mr. LONG of Louisiana. I am certainly open to suggestions. I worked to support the position of the Senate in conference. I hope that the proposal will be one of those that will be studied by the Advisory Council, and that recommendations will be made so that we can see to it that a person need not be hospitalized when his sickness is of such a degree that he qualifies for the home health care or for nursing home care provided in the bill. If properly administered—and that is where great fear at the administrative level comes in—the Senator's position would be eminently sound. If we could guarantee that a

great number of people who are in poor health would require no more than custodial care to qualify for home health service, a great deal of money would be saved.

Mr. SALTONSTALL. I thank the Senator for his explanation.

I should like to ask one more question. The conferees eliminated another section that I thought was invaluable, and that was in relation to drugs. As I remember, the proposal related to a commission to study the effect of drugs. I believe that drugs represent about 28 percent of the cost of medical services. Will the Senator give an explanation as to why that provision was eliminated?

Mr. LONG of Louisiana. It was the view of the House conferees that the subject should be studied. It is one of the most important questions to be studied by the House committee, the Senate committee, the administration, and the Advisory Council. But the House conferees felt that if we should write into the bill a requirement that a study be made, with all that that implies, including a commitment that we might agree with the study, and adopt it, this would be undesirable. The House felt that we should not undertake any commitment prior to making studies and knowing what the entire program would require. The overall program will require a great amount of study. There are many things that we might do under this measure and which we might change after we gain experience.

Mr. SALTONSTALL. Who will make the study, as provided in the conference report?

Mr. LONG of Louisiana. The Secretary is directed to carry on a study of the program. The Advisory Council on Social Security is directed to review the scope of coverage and the adequacy of benefits of both program A and program B.

So the Advisory Council on Social Security will have that responsibility, and that will be one of the foremost subjects that will be studied. We shall have a detailed study of the question.

Mr. SALTONSTALL. When is the report to be made? Next year or the year after?

Mr. LONG of Louisiana. I would hope that the report would be prepared for us as early as possible. The next Council will be appointed in 1968, but I would hope that we might have information on that subject sooner. I feel sure that we shall be proceeding in this field, and that in the meanwhile the Department will be conducting its own studies.

Mr. SALTONSTALL. I appreciate the advice of the distinguished Senator. I know the conference was a difficult one. A great many questions were dealt with. I appreciate the Senator's answers.

Mr. LONG of Louisiana. I thank the Senator. I wish we could have prevailed and have had the Senator's amendment agreed to. In the main, we prevailed with respect to the overwhelming number of Senate amendments, although I regret that we were unable to prevail on some good amendments.

Mr. BASS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. BASS. Since medicare will soon become a reality, I hope that—

Mr. LONG of Louisiana. Mr. President, will the Senator from Tennessee yield, to permit the Senator from Arizona to bring up an important joint resolution?

Mr. BASS. I yield.

**SOCIAL SECURITY AMENDMENTS  
OF 1965—CONFERENCE REPORT**

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes.

Mr. LONG of Louisiana. Mr. President, I ask that the Senate return to the regular order, which is the conference report on H.R. 6675, the Social Security Amendments of 1965.

The VICE PRESIDENT. The pending question is on agreeing to House Joint Resolution 591, making continuing appropriations for the fiscal year ending June 30, 1966, and for other purposes.

Mr. KUCHEL. Mr. President, I ask unanimous consent that House Joint Resolution 591 be temporarily laid aside.

The VICE PRESIDENT. Does the Senator from Louisiana ask for the regular order?

Mr. LONG of Louisiana. I ask for the regular order.

The VICE PRESIDENT. Without objection, the Senate will resume the consideration of the conference report on H.R. 6675.

Mr. BASS. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. BASS. Now that medicare is about to become a reality, and since it is a complicated piece of legislation, I hope that the Senator from Louisiana will instruct the staff to make a complete analysis of the act and have it published in layman's language, so that the average American will be able to understand it. This will be of benefit to Members of Congress who must reply to inquiries from constituents as to exactly what the legislation will do. I hope that such an explanation will be available at an early date.

Mr. LONG of Louisiana. I placed in the RECORD last night an explanation of the conference report.

Mr. BASS. I understand.

Mr. LONG of Louisiana. Also, at the conclusion of my statement, I placed in the RECORD a statement of the principal features of the bill. I believe the Senator will find that summary helpful.

Mr. BASS. I hope that we may have available a pamphlet that might be pub-

lished by the committee, giving a detailed explanation, in laymen's language, of the provisions of the bill. It would be of much benefit to persons who have inquired concerning the provisions of the legislation.

Mr. LONG of Louisiana. I shall seek to obtain that information for the Senator. I understand his problem. A great many things need to be explained, so that everyone will be apprised of his rights.

Mr. BASS. That is correct. Certain amendments were deleted and others included. A rather detailed explanation would be useful for the average citizen, who otherwise would not be able to understand the contents of the bill. I hope that the committee will give us the benefit of such an explanation.

Mr. LONG of Louisiana. I shall seek to do so.

Mr. PASTORE. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. PASTORE. I thought the amendment offered by the Senator from West Virginia [Mr. BYRD] was worthwhile. It provided that persons who are under social security could begin to withdraw reduced amounts at age 60 if they became unemployed. I understand that amendment was deleted. Perhaps the reason that action has been given. I should like to know the position of the House with respect to its deletion.

Mr. LONG of Louisiana. Mr. President, before I respond to the Senator from Rhode Island, I ask unanimous consent that the vote on the conference report be taken at 1:30 p.m., the time intervening between now and then to be equally divided between the Senator from Louisiana and the minority leader [Mr. DIRKSEN].

The VICE PRESIDENT. Is there objection?

Mr. WILLIAMS of Delaware. Mr. President, reserving the right to object—

Mr. JAVITS. Mr. President, I shall need about 10 minutes. I hope that I may be granted that much time.

**UNANIMOUS-CONSENT AGREEMENT**

Mr. LONG of Louisiana. Mr. President, after consulting with Senators and assuring them that they will have the time they require, I renew my request that the Senate vote on the conference report at 1:30 p.m. and that the time be equally divided between the minority leader and the Senator from Louisiana.

The VICE PRESIDENT. Is there objection? There being no objection, it is so ordered.

Mr. PASTORE. Mr. President, I asked a question, and I should like to repeat it.

The VICE PRESIDENT. The Senator from Louisiana has the floor.

Mr. PASTORE. I should like to repeat the question without all the interruptions.

The VICE PRESIDENT. Will the Senator yield time for that purpose?

Mr. LONG of Louisiana. I yield.

Mr. PASTORE. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. PASTORE. My question concerns an amendment which was passed by the Senate. This amendment was sponsored and introduced by the Senator from West Virginia [Mr. BYRD]. His amendment would have provided that people who are covered under the social security system and become unemployed could begin to withdraw a reduced payment at the age of 60.

That provision was deleted in conference. I thought that it was a meritorious amendment. I should like to know the reason for the deletion of it in conference.

Mr. LONG of Louisiana. Mr. President, I agree that the amendment was a good one. I supported the amendment and the similar one the Senate adopted in the past. The discussion concerning this amendment required almost a full day in the conference. The amendment is highly meritorious. It should have been agreed to, in whole or in part.

The House objected to it because in the first year, under the proposed amendment, there would have been a drain on the trust fund of approximately \$500 million. There would be a drain on the funds because more money would be paid out than would be taken in, even though this expenditure would be offset in later years.

The Byrd amendment would pay for itself over a period of time because of the actuarial reduction. However, the fund would not start recouping this money for about 20 years. The House was extremely reluctant to accept the amendment at a time when the hospital insurance program was calling for large initial expenditures of money.

I predict that this amendment will be enacted into law within the next 5 or 6 years. I have no doubt that the amendment is a good one. I supported it. I am as enthusiastic about that amendment as is the Senator from Rhode Island.

Mr. PASTORE. Mr. President, I hope we can reduce the time of 5 years to a year or so. I have a great deal of concern and sympathy for those people who reach the age of 60 and cannot find a job no matter how much they try. Their unemployment compensation runs out. They become a public charge if they have no other way of receiving income.

They would not receive any more money in the long run, if they were to wait until they were 65 years of age. They should be permitted to collect in their time of greatest need, even though it is a smaller amount.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from Wisconsin, but I first state that the Senator from Rhode Island is correct. The conference committee came closer to being deadlocked on this issue than on anything else.

Mr. PROXMIRE. Mr. President, I agree with the Senator from Rhode Island and the Senator from Louisiana on this issue. I have talked with literally thousands of people in Wisconsin concerning this issue.

No issue interests men at the factory gates in Wisconsin more than does this

issue. People want an opportunity to retire at the age of 60. It is true that the option would involve a reduction of their benefits to two-thirds of their scheduled social security benefits.

Many people can get along with that much social security if they have income from another source. Perhaps their husbands or wives are working or are also retired.

The Senator from West Virginia pointed out that this amendment, if it were agreed to, would help solve our unemployment problem to a significant degree. If the amendment had been agreed to, it would open up at least a half million jobs for other people that had been vacated by the retiring 60 and 61 years old.

The Senator from Louisiana and the other conferees had to give in on some things. However, they did a superb job in conference.

I hope that in the future this provision can be enacted into law, preferably as stated by the Senator from Rhode Island, in a year or two.

Mr. PASTORE. Mr. President, I do not want my remarks to be construed as being in criticism of the conferees. I know how hard the Senate conferees fought for this measure.

As I understand the situation, there was some apprehension as to the stability of the fund in the event that we undertook to provide such benefits at this time without further study.

I would hope that this matter would be studied very objectively and that we would do something about this problem in the near future.

I congratulate all conferees for the excellent job they did. I do not believe that this is a perfect piece of legislation. It could not be perfect. We have not satisfied everyone. That would be impossible.

I do believe that this is the first step in the right direction. This is a milestone in the field of social security and social justice.

I congratulate the committee. I shall vote for the conference report with a full heart.

Mr. LONG of Louisiana. Mr. President, I thank the Senator.

#### SOCIAL SECURITY AMENDMENTS OF 1965—CONFERENCE REPORT

The Senate resumed the consideration of the report of the Committee of Conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. JAVITS. Mr. President, I notice that the drug study amendment was eliminated. I ask the Senator what happened in relation to that measure.

I understand that there is some feeling that the measure will be studied nonetheless.

Mr. LONG of Louisiana. The Secretary is directed in the bill to carry on studies of the programs. The Advisory Council on Social Security is directed to review the scope, the coverage, and the adequacy of benefits under programs A and B.

It was the view of the House conferees that they did not want to commit themselves to an answer in one particular area before they knew what the overall recommendations would be, and that this would be one of the many areas in which recommendations could be expected. That being the case, the House felt that they did not want to make a commitment to do what such a group recommended, but they did recognize that this is an area in which a study should be undertaken and that it should be studied also by the committees, the House Ways and Means Committee, and the Senate Committee on Finance.

They also recognized that when our recommendations are ready, we should present them. They did not feel that they should commit themselves in this bill or imply, by agreeing to a study in this fashion, that they agreed to the recommendations not knowing what they might be.

Mr. JAVITS. Mr. President, we may look forward with confidence to the fact that this objective will be accomplished.

Mr. LONG of Louisiana. It will be studied at the departmental level and then by the Advisory Council on Social

Security. We expect that the House Committee on Ways and Means and the Senate Committee on Finance will also look into the matter.

The position of the Senator on this measure is very sound. This is a very important segment of the problem. We should like to provide a better answer than we have at the present time.

Mr. JAVITS. Mr. President, I am very grateful to my colleague for his most statesmanlike assurance. I know that the assurance will be carried through.

Mr. President, I notice that, with relation to the struggle we carried on in the Senate on the question of cash tips, there was a compromise.

I ask the Senator how the conferees expected that the social security funds would be affected by the fact that the employer is excused from the social security tax liability on such tips.

Mr. LONG of Louisiana. Mr. President, after battling about this matter for a number of hours, we finally reached an area of a compromise. One proposal was that we strike the provision from the bill. If we had not reached a compromise, the provision relating to tips would have been removed from the bill.

In regard to the argument made by the senior Senator from New York and the junior Senator from New York, which was also our position, we felt that these people were entitled to protection. We also found that it was possible to give them this protection without increasing the tax or providing an additional burden on the funds. The way that it worked out was that if the employees would pay the employee share of the tax, they would then be carrying their own weight so far as the fund was concerned.

Furthermore, we took the attitude of the Senate with regard to the employer: that inasmuch as the employer did not pay the tip—that the tip was really paid by the public or the customer—the employer should not be taxed for it. Having arrived at that conclusion, we took the administrative provisions as the House passed them and took the Senate philosophy that since the employer did not pay the tip, therefore he should not have to pay the tax on it. Having arrived at that conclusion, we found that it did not impose an added burden on the fund.

Mr. JAVITS. That last expression is very important. I know the employees would want to know and establish for the record that the additional benefits which they would receive by virtue of the social security tax on tips would not be provided, notwithstanding the free ride given to the employer.

Mr. LONG of Louisiana. Yes. We concluded that the tax should not be imposed on the employer and that sufficient money would get in the fund as a result of the contributions of the employee. We worked that matter out on the administrative basis that the House had provided and concluded that it would not place a burden on the fund. We agreed on the provision to let the employers do the collecting and book-keeping and remit the money, but not to impose the originally proposed employer's tax.

Mr. JAVITS. I had 10 minutes. If I have any time left, I will yield some of the time taken on the answers to the questions.

And finally, the Senator knows my position on this issue. The addition of a supplementary voluntary medical insurance program makes this a really meaningful and historic bill. I take great pride in the fact that that result came from efforts of a group of Senators on this side of the aisle which I have had the privilege of marshaling, and in which the Senator from New Mexico [Mr. Anderson] joined. The amendment which they offered gives a wholesome opportunity to cover a major share of medical costs. I am gratified with the results in this particular area.

Mr. LONG of Louisiana. The Senator from New York has made major contributions to the social security program. As one Member of this body, I appreciate it. The Senator from New York made great contributions both here and as a Member of the House. I am happy with regard to the result on the subject of tips, which was subject to impassioned debate in this body. I am glad it was worked out in conference.

Mr. JAVITS. Mr. President, The complementary insurance which is available comprises a big portion of the whole health program. The hospital costs amount to approximately 35 percent. The supplementary medical costs come to about 35 percent, leaving uncovered costs of about 30 percent. So the supplementary program for insurability is very important. I am talking about the \$3 matching program.

Is it the intention of the Finance Committee to continue to exercise oversight jurisdiction so we may follow through to see that the supplementary program is really implemented? We might encounter the fact that we could not find any insurers to offer policies in the area that this program does not cover. We found that Aetna came into the Government insurance program. Very possibly Aetna may be looked to to enter this program. I would like to see the large companies like Metropolitan, Equitable, Prudential, and the really big companies enter into it. I hope that will be done so that the benefits of this insurance will be made available to our aging citizens; and I hope that the letter and spirit of the program will be followed and that the committee will take oversight interest in the program so that there will be a place for us to repair to, in order to see that the job is done.

Mr. LONG of Louisiana. I am sure it will be done. The Senator from Massachusetts [Mr. Saltonstall] questioned me about the extent to which the services of the States and private organizations will be used. I placed some material in the RECORD in regard to that point. I shall not burden the RECORD again. The Senator can find that information in the RECORD. But our committee has responsibility to look into this subject. The Senator can be assured, and as one member of the committee I will give him that assurance, and I am sure other Senators will do the same, that we will see to it that the private

insurance part of the program will be made workable.

Mr. JAVITS. And meaningful.

Mr. LONG of Louisiana. Yes.

Mr. JAVITS. And that people like me may have the committee as a place to which to repair if the need arises.

Mr. LONG of Louisiana. Yes.

Mr. JAVITS. I am deeply gratified with respect to what was done under the Kerr-Mills provision, the non-Federal share of matching funds under the health programs. I believe it is most desirable. It rates high in New York. I am also pleased by the resolution of the problem of whether the programs should be administered by welfare agencies or health agencies. I congratulate the conferees on the solution. The conferees have my deep appreciation.

Mr. LONG of Louisiana. I thank the Senator.

Mr. President, how much time have I remaining?

The PRESIDING OFFICER. The Senator from Louisiana has 22 minutes remaining.

Mr. LONG of Louisiana. How much time does the opposition have?

The PRESIDING OFFICER. The other side has about 30 minutes.

Mr. CARLSON. Mr. President, I yield 15 minutes to the distinguished Senator from Iowa [Mr. MILLER].

The PRESIDING OFFICER. The Senator from Iowa is recognized for 15 minutes.

Mr. MILLER. Mr. President, I may have some questions to ask of the Senator from Louisiana. I hope his answers to them will be brief enough so he can take the time for the answers out of his own time. I am sure we can agree to an allocation of time.

My understanding is that amendment No. 474, according to the conference report, was deleted. That amendment was added to the bill by the Senate.

Mr. President, I ask unanimous consent that the amendment to which I referred, which I proposed as amendment No. 139, be printed in the RECORD at this point in my remarks.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

After line 22 on page 266, add a new section 328 to title III of said Act as follows:

"INTERRELATIONSHIP BETWEEN VETERANS' BENEFITS AND INCREASED SOCIAL SECURITY BENEFITS

"SEC. 328. (a) Section 503 of title 38, United States Code, is amended by inserting '(a)' after '503', and by adding at the end thereof the following:

"(b) Notwithstanding the provisions of subsection (a), in the case of any individual—

"(1) who, for the first month after the month in which the Social Security Amendments of 1965 is enacted, is entitled to a monthly insurance benefit payable under section 202 or 223 of the Social Security Act,

"(2) who, for such month, is entitled to a monthly benefit payable under the provisions of this chapter, or under the first sentence of section 9(b) of the Veterans' Pension Act of 1959, and

"(3) whose insurance benefit referred to in clause (1) for any subsequent month is increased by reason of the enactment of the Social Security Amendments of 1965,

there shall not be counted, in determining the annual income of such individual, so much of the insurance benefit referred to in clause (1) for any subsequent month as is equal to the amount by which such insurance benefit is increased by reason of the enactment of the Social Security Amendments of 1965."

Mr. MILLER. I would like to ask the Senator from Louisiana why the Senate receded from this amendment.

Mr. LONG of Louisiana. The Senator from Louisiana agreed to accept the amendment. There was no reason why the amendment should not be agreed to. It was accepted on the floor. Subsequent to accepting the amendment, we became aware of an objection by the Administrator of Veterans' Affairs. I hope the Senator has available to him the letter pointing out the objections from the Veterans' Administration to the amendment.

Mr. MILLER. I am familiar with the contents of the letter. As I shall shortly point out to the Senator from Louisiana, the letter is wrong.

Mr. LONG of Louisiana. The House conferees relied upon the position of the Veterans' Administration is resisting the Senate amendment. The Senate urged adoption of the amendment, but the House would not agree to it. The Senator is aware of the arguments which influenced the House conferees.

Mr. MILLER. I did not know about this letter, nor was I apprised of the action proposed by the Senate conferees until after the action had taken place. If I had been consulted by the Senator from Louisiana, in light of the letter from the Veterans' Administration, I could have provided the Senator from Louisiana with evidence indicating that the letter from the Veterans' Administration was wrong, which I trust would have influenced the House conferees to go along with the Senate amendment.

During the discussion of the amendment to which the Senator from Louisiana graciously agreed, it was made clear that the purpose was to take care of a defect in the bill which would result in a diminution in some veterans' pensions. I gave an example of a veteran receiving social security payments of \$105 a month under present law, and \$112.30 under the bill with the 7-percent social security increase; namely, a total increase in his social security pension of \$88 a year.

However, I pointed out that the veteran's pension of \$100 a month would be reduced to \$75 a month, and he would suffer a loss of \$300 a year. In other words, with a 7-percent increase in social security pensions, he would have an increase of \$88 a year, which would be more than offset by a loss in pension of \$300 per year.

The Veterans' Administration, in this letter, erroneously advised the House conferees that last year we provided, by a change in the pension law, that 10 percent of the amount of payments to an individual under public and private retirement, annuity endowments, and similar plans and programs, would be excluded in determining eligibility for veterans' pensions.

They said, "You see, the 10 percent exclusion which we provided for last year is more than the 7 percent social security

increase, and therefore there is nothing to worry about."

This is where they are dead wrong. It is what happens when we start playing with percentages.

Let me give the Senator from Louisiana this example, so that he can understand exactly what I am getting at: The veteran to whom I refer—and there are thousands of others like him—with \$105 social security pension would receive \$1,260 annually in social security income. Under the 10 percent exclusion which was provided for last year, \$126 of that would be ignored, leaving a total of \$1,134 to be taken into account in determining the bracket of eligibility for veterans' pensions.

Inasmuch as this amount is under \$1,200, he would be permitted to continue to receive his veteran's pension of \$100 a month, or \$1,200 a year. There is no problem there. But this is under the present law. Now, with the conference committee report with the 7-percent social security increase, he would receive \$1,260 times 7 percent, or an additional amount of \$88.20 in social security, for a total social security income of \$1,348. Ten percent of that can be taken out or ignored—that is, \$134—and subtracting \$134 from \$1,348, leaves \$1,214 to be taken into account.

Inasmuch as the veteran is over the \$1,200 figure, he would lose \$300 in pension.

Therefore, I point out to my friend the Senator from Louisiana that the Veterans' Administration is just as wrong as wrong can be. The House conferees had no business taking their word for it. The Senate conferees at least could have consulted the proponents of the amendment, if they were not able to pick up the error in the Veterans' Administration letter.

Mr. LONG of Louisiana. There are two things I should like to urge the Senator from Iowa to consider. First, a number of House conferees took the attitude that if the Senator was correct, it was the result of a defect in the veterans laws rather than a defect in the social security laws, and the Veterans' Committee, which is headed by a very strong and powerful committee chairman whom many of us admire very much, should look into the matter.

Mr. MILLER. The Senator well knows that the powerful committee chairman of the House Ways and Means Committee is on a completely coequal basis, no more and no less, with the distinguished acting chairman of the Senate Finance Committee.

Mr. LONG of Louisiana. One reason the chairman of the Ways and Means Committee is so powerful is that he respects the other committee chairmen. In addition, it was pointed out in the letter written by the Veterans' Administration:

Moreover, I believe that adequate relief respecting any adverse effect on pension resulting from the 7-percent increase in social security benefits proposed by H.R. 6675 has already been provided—by Public Law 88-664, effective January 1, 1965. Under that law 10 percent of social security benefits and similar payments from other sources is excluded from income in determining entitlement to pension benefits.

I ask unanimous consent that the entire letter from the Veterans' Administration be included at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

VETERANS' ADMINISTRATION,  
April 9, 1965.

HON. HARRY F. BYRD,  
Chairman, Committee on Finance,  
U.S. Senate,  
Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your letter of March 29, 1965, requesting my opinion regarding the proposition of excluding increases in social security benefits, proposed by H.R. 6675, 89th Congress, from income for Veterans' Administration pension purposes.

I believe that adoption of such an exclusion would violate the basic concept of need in our pension programs. By not counting money actually available for support, it would permit persons with income in excess of statutory limitations to receive a greater pension benefit than would be otherwise payable. The availability of a dollar rather than its source should be determinative of pension entitlement.

Also, enactment of a special exclusion for social security beneficiaries would be discriminatory respecting persons whose pension is adversely affected because of increases in similar Federal, State, or private benefits. I feel that such a provision would establish a precedent which would make it difficult, if not impossible, to oppose other legislative proposals with a similar purpose but related to a source of income other than social security benefits.

Moreover, I believe that adequate relief respecting any adverse effect on pension resulting from the 7-percent increase in social security benefits proposed by H.R. 6675 has already been provided—by Public Law 88-664, effective January 1, 1965. Under that law 10 percent of social security benefits and similar payments from other sources is excluded from income in determining entitlement to pension benefits.

As you know, pension is payable on an annual income basis. In the case of pensioners whose benefits have continued in 1965 without any need for the 10-percent exclusion provided by the cited law, the contemplated 7-percent increase in social security benefits cannot have any adverse effect. With respect to persons who have been receiving a greater pension benefit in 1965 because of the availability of the aforementioned 10-percent exclusion, enactment of a 7-percent increase in social security benefits could not do more than reduce them to the pension rates paid for 1964, as increased effective January 1, 1965. In other words, on an annual basis, no pensioner will receive less in 1965 than was paid to him in 1964, solely because of a 7-percent increase in social security benefits.

It does not appear that anyone would be able to logically contend that such an increase would operate adversely to an individual if the effective date of the 10 percent provision of Public Law 88-664 had been deferred to coincide with enactment of H.R. 6675. I do not see that the earlier existence of the exclusion feature has created any substantial basis for a contention that a social security increase will be detrimental. To the contrary, the prior applicability of the exclusion provision will operate to the advantage of some persons, by permitting payment of more pension during the months of 1965 preceding enactment of the contemplated social security amendments than would have been permissible if enactment of the exclusion feature, or its effective date, had been deferred.

In the light of the foregoing, I do not believe that the social security rate increases proposed by H.R. 6675 warrant modification of our pension programs.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

W. J. DRIVER,  
Administrator.

Mr. LONG of Louisiana. The veterans law was enacted last year, anticipating the social security increases which are in the bill this year. The Senator recalls that last year the social security bill died in conference but, in the meanwhile, we had passed Public Law 88-664, anticipating the ultimate passage of this bill to increase social security benefits.

The Senator should be commended for his work in this field, and I hope that he will continue his interest. If there is need for adjustment, there will be other veterans' bills coming before the Senate before the end of the session, and the Senator from Iowa will have an opportunity to urge his amendment insofar as the problem now exists, and we shall have an opportunity to take it up in conference. I hope that the House Committee on Veterans' Affairs will do so. From the point of view of a number of the House conferees, jurisdiction properly lies with that committee.

Mr. MILLER. Let me say to the Senator from Louisiana that I am most interested in pursuing this matter. I feel very strongly, in view of the fact that the Veterans' Administration is patently false, and I have given an example to show how false it is. In view of the fact that the House conferees were laboring under a completely false impression as a result of that letter, the time for action is now. Veterans are receiving their pensions now. I do not know when we are going to consider other veterans' bills. There may be some. I do not know whether we shall have any opportunity to make changes in veterans' bills. It seems to me that the time for action is now.

Let me point out to the Senator from Louisiana that last year the Senator determined that the time was at hand, when it passed the social security bill.

Let me read to the Senator from page 14 of the 1964 report and what the Senate said about it, which the Senator from Louisiana, I am sure, had a part in drafting:

It has been brought to the committee's attention that the present bill may have the unintended result of reducing or eliminating nonservice-connected pensions of certain veterans or their widows because of the receipt of increased social security benefits. To prevent this, the committee amendment amends the appropriate provisions of the veterans' law to exempt from its annual income test the amounts of social security increases resulting from this bill.

I do not see why there should be any more difference of opinion today than there was last year, merely because the bill was lost in conference last year, for reasons quite apart from this.

I suggest to the Senator from Louisiana that by accepting the conference report under these conditions, we shall only compound the error of the House conferees and the error of the Veterans' Administration. This is a shortsighted, thoughtless way to treat our veterans.

Mr. LONG of Louisiana. Let me say to the Senator that last year we in the

Finance Committee, which had jurisdiction over this kind of veterans' legislation as well as the Social Security measure, approved two bills to achieve the same result.

One of them was a bill that went to the Veterans Committee, and resulted in Public Law 88-664, to which I have alluded; the other was the social security bill. Therefore we put the provision in two pieces of legislation. One went through the social security law; while the other went with the Veterans' Administration route. We approached it both ways, in other words. Therefore, whichever committee had jurisdiction, we hoped, would try to do something about it. The veterans bill became law. We thus yielded in this area on the social security bill because we felt we had taken care of it by amending the veterans law.

Mr. MILLER. But we had not.

Mr. LONG of Louisiana. If we have not taken care of it, I urge the Senator from Iowa to prepare an appropriate amendment, and when we will bring to the floor a veterans bill he should add the amendment to it and send it to the Veterans Committee in the House, and either ask them to agree to it or ask them to go to conference with us on it, to see if we cannot meet the problem. Chairman WILBUR MILLS tells us that his committee does not have jurisdiction, but that Chairman TEAGUE's committee does have jurisdiction. So I say, "All right; let us send them a bill and see if they will not agree with us." I would be happy to urge them to agree to it. I was pleased to support the Senator's amendment the way it was, the Senator will recall.

Mr. MILLER. I appreciate the fact that the Senator would do what he says. However, that does not satisfy or solve the problem. The veterans and their widows and families will suffer a loss in their veteran pension checks as soon as the law goes into effect.

Mr. LONG of Louisiana. They will not suffer a loss before September, because they will not get their check until September. We have the month of August in which to act.

Mr. MILLER. But they will suffer a loss of their pension. I do not know whether they might not even suffer a retroactive loss.

Mr. LONG of Louisiana. I assure the Senator that under the effective date, they could not suffer a loss before September. The law makes the provision effective on the second month after the President signs the bill.

Mr. MILLER. Am I correct in my understanding that when the bill goes into effect, the 7-percent provision will be retroactive to the first of the year?

Mr. LONG of Louisiana. Yes.

Mr. MILLER. If that is so, what difference does it make whether it goes into effect next week or on any other effective date?

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. CARLSON. I yield 5 additional minutes to the Senator from Iowa.

Mr. LONG of Louisiana. But the 7-percent provision would not be paid un-

til September if the bill were signed in this month.

Mr. MILLER. In September; yes. When they get their checks in September they will suffer a loss in their veterans' pensions, unless something is done. I suggest also that there may be the possibility that they may suffer a retroactive loss. That point is not clear. I say that the time to take care of the situation is now. The Senator has posed the problem of what happens when the Finance Committee of the Senate has jurisdiction over a bill and we try to perfect it as best we can and then go to conference with the House and the House conferees say, "In the Senate the Finance Committee has jurisdiction over this subject, but we do not have jurisdiction in the House Ways and Means Committee; instead, the Veterans Committee over here has jurisdiction." Or it may be that the conferees are told that some other committee over there, such as the Commerce Committee, has jurisdiction over a particular matter. The conferees are told, "We cannot operate in this fashion here. We do not have jurisdiction."

I am not persuaded one bit by such explanations. I do not believe that any veteran whose pension will be impaired will be impressed by them. It seems to me that the Senate is in a perfect position to stand firm on this provision, particularly when the basis for the House position relating to the 10 percent is in error.

Mr. LONG of Louisiana. I do not care to debate the merits of the subject with the Senator, because I have much sympathy with the position the Senator has urged and is now urging. I supported his position and his amendment. I suggest that the Senator has no idea how determined some of the House committee chairmen can be. Frankly, I have sometimes gained the impression in conference with some of the senior House Members that they would be opposed, if they had the opportunity, to the great compromise, even, that brought this Union into being and created the U.S. Senate. I have been to conference with a House bill that the Senate had amended, and the attitude of the House conferees was that we had no right whatever to amend it except insofar as our amendment was completely germane and in keeping with something that the House had put in its bill in the first place.

I am sure the Senator from Kansas [Mr. CARLSON] has had that experience with House conferees. Their attitude has been that we had no right to amend their bills unless, in taking something out of their bill, we inserted something that was completely germane to what they had put in the bill in the first place.

When a House committee chairman says his committee has jurisdiction, we can do little about it. Last year we added an urgent amendment to the Sugar Act. We thought it was urgently necessary that the amendment be added to the bill. We amended a Ways and Means Committee bill because we felt it was appropriate to do so, inasmuch as this was a tax measure. It appeared that the House Committee on Agriculture has

jurisdiction of that subject. I believe that goes back to the time when the chairman of the Ways and Means Committee did not want to take jurisdiction over the Sugar Act. Therefore the chairman of the House committee objected, and we could not even have the question considered. We could not even get the measure off the Speaker's desk.

Mr. MILLER. If the Senate rejects the conference report, with the clear understanding that the conferees are to go back to the House and stand firm on the veterans' pension amendment, and if the House conferees, after having had called to their attention what has now been brought out on the floor, still believe that they want to forget about taking action on this point, and get into a long and involved procedural question about which committee has jurisdiction in the House, and if the Senate conferees come back to the Senate and say, "We cannot do anything about it," the Senator from Iowa will have nothing further to say.

However, I believe that if the House conferees are interested in the votes of the veterans and their families and their widows, because this has all been caused by an error on their part, they will be well advised not to resist the amendment in view of what has been brought out. Our acceptance of this conference report with the provision in it would merely compound that error.

Every Senator who votes for the conference report will contribute to the compounding of that error. It will work a hardship on the veterans and their families. I wish the Senator from Louisiana were not in a position where he feels he must ask the Senate to vote approval of the conference report, because I believe he sincerely feels a great concern about it. He has already said that he supported the amendment because he was in favor of it, although it is my understanding that the conferees from the minority side of the aisle were not agreeable to the rejection of the amendment, and that that was pretty well controlled by the leadership.

The PRESIDING OFFICER. The additional time of the Senator has expired.

Mr. LONG of Louisiana. I yield 2 minutes to the Senator from Iowa.

Mr. MILLER. In the present status of the situation I must vote against the conference report. However, I wish it to be clearly understood by all Senators that they will have an opportunity to vote to reject the conference report. It would not take more than 5 minutes to go to a conference with the House. If, in the face of what has been brought out, the House conferees still wish to stand firm and say, "We cannot possibly agree to this, because some other committee has jurisdiction over it," and the Senate conferees come back and tell us as much, the Senator from Iowa will remain silent. He will let the House conferees take their chances with the veterans' vote. I believe they are already taking chances.

It is a sad day indeed when our Veterans' Administration issues an erroneous letter in the first place, and the House conferees compound that error by saying, "We will resist the amendment

because of that letter," and then have the Senate vote for it, in spite of what I have pointed out.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 minutes.

Mr. LONG of Louisiana. The amendment of the Senator from Iowa was not the only meritorious amendment on which we had to yield. Some amendments on which we had to yield brought tears to my eyes.

For example, there was the provision as to the effective date for the payment of increases in public assistance. We had hoped that on July 1 aged, blind, and disabled people would get some increase in their welfare checks. We tried to compromise on September 1, then October 1, and then November 1, so that people who are living on meager public welfare checks could get the increase at the earliest possible date.

I was not able to get those people an increase even for Christmastime, so that we could feel that we were Santa Claus' helpers, in a way, to help those old folks to have a little chicken or turkey on their tables for Christmas. The Senator from Louisiana did the best he could to prevail in relation to that provision.

I have never witnessed a time when the Senate has been more sincerely represented by Senators presenting the Senate's point of view. They included the Senator from Delaware [Mr. WILLIAMS] and the Senator from Kansas [Mr. CARLSON], who is in the Chamber. They stood with me shoulder to shoulder in supporting even some amendments against which they had voted and on which they refused to yield until we all agreed that we had no possibility of prevailing on those particular amendments.

We spent 27 hours in conference with the House in an endeavor to get the conferees on the part of the House of Representatives to agree to the Senate amendments. We held out on some of those amendments as long as we could. Some of them we cannot get up for consideration again this session; for example, the amendment of the Senator from West Virginia [Mr. BYRD] in respect to retirement at age 60.

The amendment of the Senator from Iowa can still be considered. He can offer it on some piece of proposed veterans legislation. I will do what I can to see that the proposal is considered and referred to the Committee on Veterans' Affairs. I hope that something can be done along the line of the Senator's suggestion.

Mr. MILLER. I appreciate the suggestion of the Senator from Louisiana.

I wish to make one further observation. In my nearly 5 years in the Senate, I cannot recall more than one or two instances in which the Senate has rejected a conference report and has in effect said, "Go back and let the House know that we will not knuckle under to the House. We will stand up for the rights of the people."

I recognize that other amendments were lost in the conference. It seems to me that we are being asked to recede from so many amendments which were

considered and adopted on the floor of the Senate that it might be well if, once in a while at least, the Senate would reject a conference report and say, "Go over and try again." The pending vote on the conference report might be a very appropriate occasion for the Senate to do so because, as I pointed out, so far as veterans and their families are concerned, in view of what is going on in the press conference now being held by the President of the United States in respect to Vietnam, we could not find a more opportune time to assure veterans and their families that the Senate is thinking of them.

Mr. CARLSON. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator is recognized for 2 minutes.

Mr. CARLSON. I concur in the remarks of the distinguished Senator from Louisiana [Mr. LONG] in respect to the conference report.

I also wish to say that I think the Senator from Iowa [Mr. MILLER] has rendered a service by calling attention to a problem which requires not only further study, but perhaps also an adjustment.

I can think of nothing more unfortunate than the rejection of the conference report. There is a definite reason for that statement other than the veterans involved.

If the bill is not signed before August 1, 19 million people in this country will not get their increased benefits based on the 7-percent increase from January 1, 1965, until October, because the law will go into effect the second month after the President signs it. So there are more people involved than the veterans.

I sympathize with the situation we have gotten into. I agree with the Senator from Louisiana [Mr. LONG] that there will be an opportunity, I am sure, to take action in this case. I regretted to learn of the situation, of which we knew. As the chairman, the Senator from Louisiana [Mr. LONG] stated, the House has refused to go along in this situation because of the committee chairmanship. We have that situation.

Before we reach a final vote on the conference report, having served on the conference committee with the Senator from Virginia, the chairman of the Senate Finance Committee [Mr. BYRD] the distinguished acting chairman, the Senator from Louisiana [Mr. LONG], and the Senator from Florida [Mr. SMATHERS], the Senator from New Mexico [Mr. ANDERSON], and the Senator from Delaware [Mr. WILLIAMS], I wish to say that it was a real privilege to have worked with them in the 5 days we were in session.

In my service in the Senate and the House I have been on several conference committees. This is the first time we had what I would call not only congenial, but hard working conferees.

The Senate conferees did not at any time give in on an amendment without a fight. The record will show we did a good job getting our amendments adopted. There were some amendments I would like to have had included, but they were not included.

We are about to reach a conclusion on this important proposed legislation.

Looking back over the years, I recall many hearings and executive sessions of the Finance Committee on the measure. Each member of the committee is entitled to a good deal of credit, but particularly the Senator from New Mexico [Mr. ANDERSON], who, in the past few years has been working with this problem and carrying the battle in the committee and on the floor. It is a credit to him and others who worked on it that we have now reached a completion of the proposed legislation that is so important in this field of social welfare.

Mr. HARTKE. Mr. President, will the Senator yield 5 minutes?

Mr. LONG of Louisiana. I yield 5 minutes.

Mr. HARTKE. Mr. President, I do not intend to oppose the conference report. I intend to support it with all my heart. I have some misgivings, as most of us do, but I believe it would be inappropriate, after all the time that has been spent on the measure, to say that we should turn our backs on a major legislative accomplishment.

I believe Congress is to be congratulated. The voice and effectiveness of President Johnson should not be minimized. The Vice President's efforts should not be minimized. They effectively carried this message to the people last year, all through the year, and made it possible for the people to understand that here was a real opportunity to take a forward step in the welfare of millions of Americans.

It would be difficult to exaggerate the significance of the accomplishments which have been achieved in reaching an agreement on this great milestone in American legislative history. There is no piece of legislation with which it can be compared without going back to the original institution of social security itself 30 years ago. The medicare provisions in the bill now agreed upon in conference, in fact, will affect the immediate situation and the immediate welfare of millions as even the original social security system's introduction could not, since benefits will be available without the delay which was necessary in building the fund after the original law was enacted.

Provision for the medical needs of the elderly has been a bright vision of the future for many years. Now the future is here. We can look back to the unsuccessful predecessors of this bill and say now that those who sponsored them were prophets without honor in their own time, but that time has now vindicated them. Shortly after World War II there was the Murray-Wagner-Dingell bill, which perhaps was the first serious effort to secure this kind of protection for our senior citizens. Then there was the Ford bill, to skip a decade to the 86th Congress, a bill whose major features embodied the basic concepts we have now adopted—hospital, surgical and nursing home benefits using the social security administrative mechanism, financed by an increase in the social security tax. During the Senate debate in 1950, the Kennedy-Anderson amendment to the Eisenhower administration bill took the same approach, although the eligibility would not have affected those below 68

years of age. But it was defeated, and instead we got the far more limited benefits of the Kerr-Mills provisions.

The name of the Senator from New Mexico [Mr. ANDERSON] appeared again in the 87th Congress linked with the name of Congressman CECIL R. KING in the King-Anderson bill of that year. The outlines of what we now have were beginning to appear more clearly, but in this and the succeeding King-Anderson bills the proposals kept pushing further toward the more comprehensive provisions which we have today. Then, in the 87th Congress, the proposal would have given 90 days of hospital care with a minimum deductible of \$20 and a maximum of \$10 per day for the first 9 days. The nursing home care proposal was there, and the home health services. The outpatient diagnostic service was there. The idea of a larger tax base was there, and the soundly managed increase in the payroll tax rate to give an actuarially responsible foundation for the benefits.

In the years since then, King-Anderson has been virtually synonymous with the popular term "medicare." But not many will take the trouble to compare Senator ANDERSON'S original concept with what we have obtained here and see that the hospital, nursing home, home care, and diagnostic features—the basic features of the hospital protection we are now giving—have been not at all in their major bulk and remarkably little in detail. As a supporter of the King-Anderson proposals at every stage of the way since my arrival in the Senate, I want to say that Senator ANDERSON deserves not only the greatest degree of recognition which can be afforded for his tireless and finally victorious fight, but that the elderly of this year of 1965 and of the future decades will be everlastingly in his debt.

In the enactment of the present bill, there are other Senators who have labored long and hard to achieve the result now before us. Senator LONG, both in the Finance Committee and as floor manager of the bill, has been another ardent champion of the cause. The great concern of the Senator from Louisiana [Mr. LONG] for the best possible benefits we could provide is well known to all of us, and I am proud that I have been able to work so closely with him on some of the features which will now, perhaps sometimes with modification, be a part of the bill.

The provision about which I feel most deeply relates to long-term illness and was the concept or proposal sponsored by the Senator from Louisiana [Mr. LONG]. He fought for that, knowing full well that he would ultimately have to take the leadership of the bill. He understood that the real danger in the future would not be the short-term illness but the long-term, terminal cases of cancer and of stroke, and also the long-term accident cases, such as broken hips. Cases which last for 3 months or 100 days in a nursing home are covered in the bill; but it was the cases lasting 6 months or a year, or 5 years or 10 years, that were of real concern.

The Senator from Louisiana was willing to put aside his personal responsibilities and his own personal feelings for the larger benefit to be obtained. He took the forward step in pointing to the 100-day cases and then was willing to join others who believed that we must proceed further.

Improvements have been made by providing 30 additional days for hospital care, to make the total 90 days, and also by including an amendment to provide for additional hospital care, amendments which I had the pleasure to offer in the Committee on Finance.

I am sorry that the Senator from Louisiana did not vote for them. I am disappointed that he did not accept the proposal for complete future care for the long-term illness cases, for the catastrophic illness cases, requiring long periods of recovery.

However, I do not feel that any of us would want to forego the accomplishments which have been made.

Another disappointment is the failure of the conferees to accept more of the amendment relating to aid for the blind, an amendment which was adopted by an overwhelming vote in the Senate. In this instance, it was the responsibility of the Senator from Louisiana to take the floor in opposition to that amendment.

In his heart—I know; I have talked with him—he felt that it should be adopted, but he believed he had a responsibility beyond that to the blind, and that was to protect the integrity of the bill and make it possible to have a bill that could be adopted in conference. I salute him and congratulate him upon that achievement.

Of great assistance in the passage of the bill were the Senator from Florida [Mr. SMATHERS], who was a strong leader and should be complimented; the Senator from Illinois [Mr. DOUGLAS], the Senator from Minnesota [Mr. McCARTHY], and other Senators who are members of the Committee on Finance, all of whom were most constructive in working for the best bill that could be obtained. I pay my compliments to the staff of the committee for their diligent work.

Senators outside the committee have also taken a deep interest and have done all they were able to do in support of the improvement of the legislation. I know that they have shared my own concern, and it is a great source of pride to me that my own efforts, coupled with and supported by those of others, have led to the inclusion of many desirable changes in the conference report.

After the conference report has been agreed to, I shall make further remarks concerning my apprehensions for the future; but in the interest of time now, I compliment the President, the Senate, and the Members of the House for this forward step in the enactment of legislation that has been so long awaited.

Mr. LONG of Louisiana. Mr. President, I deeply appreciate the kind words of the Senator from Indiana. He is quite correct in paying tribute to our colleagues who have made so vast a contribution to the legislation. It has been a great

honor to work with them, especially with the Senator from Indiana, who was a strong supporter of the bill. A number of important amendments were offered by him and his support made possible their inclusion in the bill.

I regret that it was not possible to prevail with more of the amendments of the Senator from Indiana, especially the amendment with respect to assistance to the blind. The Senator knows that I did not support that amendment on the floor of the Senate; but when the Senate agreed to it, I supported it in conference. I sought to bring back from conference as much of the amendment as was possible. We brought back two good amendments, which should be fore-runners of better things to come, both for disabled persons generally and for the blind in particular.

The Senator from Indiana will find as he presses for his amendment that, if he does not get all of it, he will get more in the next session, and more in the sessions following that. Eventually, he will have prevailed on most of the amendment, if not all of it.

I share the Senator's strong feeling that persons suffering long illnesses—the catastrophic cases—should be protected. It is an oversight that such is not the case, but we did our best, both in the Senate and in conference, to prevail in providing the longest term of protection possible for the small percentage of people who need help the most. I look forward to working with the Senator from Indiana in the years ahead to make certain that this group of persons is cared for. I have no doubt that we shall make progress, if not in this Congress, then in the next Congress in providing this important relief.

Mr. HARTKE. I thank the Senator from Louisiana. We shall work together for future improvements in the act. This is not the last day; it is the first day.

Mr. LONG of Louisiana. Mr. President, I yield 2 minutes to the distinguished Senator from Florida.

Mr. SMATHERS. Mr. President, first, the adoption of the conference report will mark a historic occasion in medicare and an improved social security law. I was privileged to serve as one of the conferees of the Senate in the conference with the House. As is always the case, it is necessary to compromise the differences between the bill the Senate passes and the bill the House passes.

The Senate did not get everything it wanted, but we came out of conference with a workable, practical, sensible, digestible type of bill. It is a measure that preserves the free practice of medicine and in no way impairs doctor-patient relationships. In the years ahead, changes will understandably be needed. When they become necessary, amendments to the act will be proposed, and will be made. But it is necessary to walk before one can run. That was the general attitude of most of the conferees, certainly the conferees on the part of the Senate, on both sides of the aisle, Republicans and Democrats alike as it was also the attitude of the conferees on the part of the House.

Probably this bill might be compared, in its long-range effects, with the original Social Security Act of 1935. All who have had a part in drafting the legislation and in supporting it—certainly those who took part in the conference—deserve special credit and may well be proud that they were able to play so important a part in what all of us have described as historic legislation. The measure as it goes to the President for signature provides for an effective and adequate medical care program for our senior citizens. I urge the adoption of the conference report.

and an expanded program of medical assistance, to increase benefits under the old-age, survivors, and disability insurance system, to improve the Federal-State public assistance programs, and for other purposes.

Mr. LONG of Louisiana. Mr. President, I yield 15 minutes to the Senator from Hawaii.

Mr. FONG. Mr. President, H.R. 6675 is a monumental measure of far-reaching consequences.

It deals with fundamental human needs of millions of Americans.

It extends a helping hand not only to our senior citizens, but also to children, blind, and disabled persons, and needy individuals.

There is general agreement on the humanitarian objectives of this bill although many differ regarding the methods of achieving these objectives, particularly in the field of medical care for the aged.

#### BRIEF DESCRIPTIONS OF PROVISIONS

H.R. 6675 has four main parts.

First. In the area of medical care, it provides as follows:

(a) A compulsory hospital-nursing home plan for most persons past 65 financed by, first, higher social security taxes on workers, their employers, and the self-employed and by, second, payments elderly patients must make toward their care—deductibles and daily charges.

(b) A voluntary supplementary plan covering physicians' services and certain other health costs financed by first, monthly premiums paid by those past 65, by second, matching premiums paid by the Federal Government out of general revenues, and by third, fees patients must pay for care—deductibles plus 20 percent of remaining costs.

(c) An expanded Kerr-Mills medical assistance program for the needy and medically needy aged, blind, disabled, and families with dependent children. This combines five existing medical assistance programs into a single program.

Second. H.R. 6675 provides expanded services for maternal and child health, crippled children, child welfare, and the mentally retarded and establishes a 5-year program of special project grants for comprehensive health care and services for needy children—including those emotionally disturbed of school age or preschool age.

Third. H.R. 6675 provides greater benefits and coverage under social security old-age, survivors, and disability programs, including a 7-percent increase in monthly benefits for social security recipients with a \$4 minimum increase for an individual and a \$6 minimum increase for a couple.

Fourth. H.R. 6675 improves and enlarges public assistance programs.

From this brief description, the scope and breadth of this legislation are merely indicated. I shall not attempt at this point to describe the bill in full, for it is a very comprehensive, very technical bill totaling 387 pages. More details can be found elsewhere in my statement.

#### SOCIAL SECURITY BILL WILL BECOME LAW

It is very apparent that H.R. 6675 will become the law of the land—and most

of the programs, including the new basic hospital insurance plan and the supplementary insurance plan for medical care of Americans past 65, will become permanent programs.

In a far-reaching bill of this complexity and nature, no one is completely satisfied with every provision. I have consistently fought for comprehensive medical care for any aged person who needs assistance in paying his medical bills, with such a program to be financed out of general revenues. Although this bill in part relies on general revenues, the basic hospital-nursing home plan relies on social security taxes and makes limited benefits available to everyone regardless of need.

This legislation has been developed according to established congressional procedure, with all Americans allowed an opportunity to present their views. In particular, the subject of medical care for the aged has been investigated, studied, and debated for a number of years, quite intensively during the past 5 years.

Now the majority in Congress has worked its will and, in the American way, everyone accepts that.

It now behooves all of us to do our best to make these programs as workable and as effective as possible.

Let us put acrimony behind us. Let us bind up our wounds and with malice toward none let us get on with the enormous job of implementing this measure.

#### LANDMARK LEGISLATION

The inauguration of the basic hospital insurance program and the supplementary insurance program will be hailed as landmark legislation, as indeed it is.

It will unquestionably be important in helping our senior citizens meet their hospital, doctor, and certain other medical expenses.

It is estimated the basic and supplementary plan together will cover just under 50 percent of the average medical costs of those past 65.

Nevertheless, we all have a duty not to oversell these programs. We should not lead those past 65 to believe more is provided than actually is provided.

#### BILL DOES NOT COVER ALL MEDICAL NEEDS

For example, H.R. 6675 does not provide aid for every kind of medical care an individual past 65 may need.

The basic plan for instance does not pay for private rooms, private nurses, long-term stays in psychiatric hospitals or drugs outside a hospital; nor does it cover very long catastrophic illness.

The supplemental plan does not cover routine physicals, extensive psychiatric care, routine dental work, drugs, dentures, orthopedic shoes, eyeglasses, or hearing aids.

#### BILL DOES NOT COVER ALL MEDICAL COSTS

It is important for Americans to understand that H.R. 6675 is not a free medical care bill. The hospital and other medical services covered by the two plans are not paid in full under these plans.

Under the basic hospital plan, a patient must pay the first \$40 of cost during the first 60 days, plus \$10 a day for each day after that during the next

#### SOCIAL SECURITY AMENDMENTS OF 1965—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6675) to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program

30 days. The plan does not pay any hospital costs after these 90 days during one spell of illness. So the patient has to find some means of paying hospital care after 90 days.

A patient sent to a nursing home after receiving hospital care would pay \$5 a day beginning with the 21st day through the 100th day in the nursing home. After 100 days of a single spell of illness, the plan pays nothing more toward nursing home care.

Furthermore, if costs of hospital and nursing home services go up, patients may have to pay greater amounts beginning in 1969. Hospital costs have been rising about 7 percent a year over the past few years.

Under the supplementary insurance plan, those past 65 wishing this insurance must pay \$3 per month. The Federal Government also pays \$3 per month.

Under H.R. 6675, these premiums could be increased every 2 years. If costs of the services covered go up sufficiently, those past 65 can look forward to further increases in their monthly premium.

In addition, under the supplementary plan, patients must pay a \$50 deductible, which means they must pay the first \$50 of expenses incurred for physicians' services and other health items covered by this insurance. In addition, patients must pay 20 percent of costs above the first \$50.

#### OLDER AMERICANS NEED MORE PROTECTION

I mention these matters so that Americans past 65 will be aware that the two medical plans contained in this bill will not pay all of their health and medical bills.

It is only fair to caution our senior citizens that they should protect themselves against medical expenses not taken care of by the basic plan or the supplementary plan through additional insurance. Otherwise, they may face some costly bills to pay out of savings.

#### EFFECTIVE DATE OF TWO NEW MEDICAL PLANS

Another very important reminder to those who will be eligible for these medical programs: benefits under both the basic plan and the supplementary plan will not be available until July 1, 1966. Benefits in nursery homes and other extended care facilities will not be available until January 1, 1967.

So, I say to our older Americans, when this bill passes, do not cancel your present health insurance policies. Do not let your health insurance lapse between now and the date when these plans become effective.

Your present insurance company will probably revise its policies so that they will not overlap the benefits of the health insurance plans of this bill. They will, I am confident, devise policies offering coverage and benefits not provided under the two plans of this bill.

Also, most businesses with health insurance programs for their employees will revise these policies to be effective after the basic Government insurance and supplementary insurance plans go into effect.

#### URGES HEALTH INSURANCE FOR ELDERLY

I say again to our older Americans: Do not leave yourself unprotected dur-

ing the next year and a half before benefits are available to you under H.R. 6675.

If you do not now have health insurance that will help pay hospital, doctor, and medical bills, I would urge you to obtain such insurance. No one knows when illness may strike. It might be before benefits under either plan in H.R. 6675 will be available to you. So take the sensible precaution of protecting yourself against costly illness.

Here I would like to urge private health insurance companies to do their very best to provide reasonable-cost and effective policies to protect older persons against medical costs not covered in the two plans of this bill.

#### BASIC HOSPITAL-NURSING HOME PLAN

As I have already stated, the basic plan for hospital, nursing home, and related care would be financed through an increase in the social security tax on wages of workers, their employers, and self-employed persons; by higher railroad retirement taxes, and by charges levied on elderly patients.

The tax increase would go into effect January 1, 1966. But benefits for patients would not be offered until July 1, 1966, except that care in nursing homes and other posthospital extended care facilities would not be available until January 1, 1967.

About 17 million persons insured under social security and railroad retirement and 2 million uninsured persons past age 65 would qualify at that time.

Costs of the program for uninsured persons would come out of general revenues of the U.S. Treasury.

After 1967, anyone wishing to qualify must have sufficient social security or railroad retirement coverage.

Benefits under this compulsory plan are as follows:

First. Up to 90 days in a hospital in each spell of illness. Sixty days must elapse between each spell of illness. Patient pays \$40 deductible, plus \$10 a day for each day up to 30 days in hospital after first 60 days. No doctors' nor private duty nursing services paid by this plan.

Second. After 3 days or more of hospitalization, up to 100 days in a nursing home or other facility having an arrangement with the hospital from which the patient is transferred. After the first 20 days, the patient pays \$5 a day up to 80 days toward his care.

Third. Outpatient hospital diagnostic service, with the patient paying a \$20-deductible amount and 20 percent of the cost above that for diagnostic studies by the same hospital during a 20-day period.

Fourth. After hospitalization, home health services for up to 100 visits after discharge from the hospital or nursing home and before the beginning of a new spell of illness. These services would include intermittent nursing care, therapy, and the part-time services of a home health aid.

#### COST OF BASIC HOSPITAL-NURSING HOME PLAN

The first full year this plan is in effect would cost \$2,210 million out of the health insurance trust fund and \$290 million out of the U.S. Treasury. In time the bill provides that all costs would be

paid out of the health insurance trust fund.

#### TAXES FOR HOSPITAL-NURSING HOME PLAN

The social security tax rate would be 0.35 percent on earnings up to \$6,600, starting next January 1. The tax rate would rise from time to time to 0.80 percent starting in 1987.

A worker or a self-employed person earning \$6,600 would pay \$23.10 for hospital insurance in calendar year 1966. His employer would match the tax each of his workers pays.

In 1967, the tax on \$6,600 on the worker would total \$33, and it would go up until it reached \$52.80 a year in 1987 and thereafter.

#### PREFERS GENERAL REVENUE FINANCING OF HOSPITAL PLAN

As I have already stated, I believe general revenue financing should be used for the hospital-nursing home program, which is a service program, not a wage-related cash benefit program, as existing social security is.

Certainly, this would be a much fairer way to distribute the cost burden. Then each person under 65 would pay taxes according to his income, in other words, according to his ability to pay.

Moreover, before income taxes are levied, a taxpayer is allowed to exempt \$600 for himself and \$600 for his spouse and \$600 for each dependent. He also is permitted to subtract either the standard or itemized deduction from his gross income before the income tax applies.

Not so with social security taxes.

Social security taxes apply to the first dollar of wages earned and to every dollar earned up to the maximum taxable, \$6,600 under H.R. 6675. No exemptions and no deductions from gross income are allowed before social security taxes are applied.

Social security taxes are not based on ability to pay. A \$6,600 worker pays the same amount of tax as a \$66,000 executive.

This is grossly unfair.

Last year Congress enacted an anti-poverty program designed to help those in low-income brackets, roughly those with \$3,000 or less income a year.

Congress also reduced income taxes last year to relieve lower income persons of this burden. More than 1½ million low-income persons were relieved entirely of paying Federal income taxes.

Yet H.R. 6675 proposes higher social security taxes, which hit lower income groups hardest.

This is very inconsistent to say the least.

But it is plain that a move for general revenue financing of the entire hospital insurance program would be overwhelmingly defeated in the Senate today. Too many are committed to the social security approach in support of the administration.

#### CONCERN FOR WAGE EARNERS

Nevertheless, I must express my concern for the wage earners of America. For, this hospital program is bound to expand and the burden on wage earners to increase.

Those who pay the hospital insurance tax will be men and women workers un-

der age 65. During their working lives they bear the cost of feeding, clothing, and housing themselves and their families, of paying for an automobile and other necessities, of educating their children, and of buying life insurance and hospital and medical insurance to protect themselves and their families.

These workers will pay taxes for as long as 45 years or more.

Yet no worker will receive any hospital benefits under this bill until he reaches age 65—and then only if he becomes sick and needs hospitalization.

Meanwhile, 40 percent of all income in America subject to income taxes will escape social security taxation to pay for the hospital plan in this bill.

This is most unfair.

#### SUPPLEMENTARY INSURANCE PLAN

All persons past age 65 would have an opportunity to buy this insurance by paying \$3 a month premium. The Federal Government would pay \$3 a month to match this.

After paying an annual deductible of \$50 toward costs of services incurred, the insured patient would pay 20 percent of any additional cost—the plan would pay 80 percent—of the following services:

First. Physicians', including osteopaths and surgeons' services, whether furnished in a hospital, clinic, office, in the home or elsewhere.

Second. Home health service for up to 100 visits each calendar year—with no prior hospitalization as is required under the basic hospital plan.

Third. Diagnostic X-ray and laboratory tests, and other diagnostic tests.

Fourth. X-ray, radium and radioactive isotope therapy.

Fifth. Ambulance services.

Sixth. Surgical dressing 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—which replace all or a part of a internal body organ; braces and artificial legs, arms, eyes, and so forth.

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

#### SUPPLEMENTARY PLAN IMPROVES BILL

The inclusion in H.R. 6675 of an insurance plan to supplement the basic hospital plan is a definite improvement over last year's bill, which was limited to hospital-nursing home care under social security.

For a number of years, the King-Anderson hospital insurance approach, which forms the basis for the hospital insurance plan in this bill, has been correctly criticized as being woefully inadequate in terms of benefits for the aged.

Earlier versions of the King-Anderson bill would have covered only about 25 to 30 percent of the average medical expenses of older persons.

The skimpy benefits of the King-Anderson bills of 1962 and 1964 were among the main causes of my voting against

these earlier plans. Instead, I voted for medical care plans that were more comprehensive and gave greater benefits to those who really need financial help in meeting medical bills.

It is fair to say, I believe, that this criticism of King-Anderson has been very constructive. The supplementary insurance plan in the bill pending today would not be in this bill except for the exposure of the shortcomings of the King-Anderson plan.

America's senior citizens will have far greater financial assistance toward their hospital and medical bills under the two plans in this bill—because in the past many of us revealed King-Anderson to be inadequate.

So those of us who criticized King-Anderson served a useful purpose, for our criticism resulted in addition of the supplementary insurance plan.

#### SOCIAL SECURITY IMPROVEMENTS

Now I would like to comment on the social security increase and some of the other improvements in old-age, survivors, and disability programs proposed in H.R. 6675.

#### SEVEN-PERCENT INCREASE

The 7-percent across-the-board increase in benefits for the present 20 million social security recipients is retroactive beginning with January 1965 benefits.

There is a guaranteed \$4 monthly minimum for retired workers who are past 65 in the first month they are paid the increased benefit.

The guaranteed minimum increase is provided to make sure everyone over 65 would receive at least enough to take advantage of the supplementary insurance costing those 65 and over \$3 per month. The \$4 minimum for an individual would cover the premium with \$1 to spare. A man and his wife would receive a minimum total increase of \$6, which would cover the health insurance premium for both.

#### SUPPORTS SOCIAL SECURITY INCREASE

I have strongly favored a cost-of-living increase in social security. Last year I voted for the increase provided in the bill passed by the Senate. I deplore the fact that this much-needed increase was allowed to die in conference committee between House and Senate in the dispute over medical care.

On the first day bills could be introduced this year, I sponsored a bill (S. 39) providing for a 7-percent increase.

#### WHY COST-OF-LIVING INCREASE NOT HIGHER

It is well understood that social security benefits could have been increased by 8 or 9 percent to meet the cost-of-living increase, had not the hospital insurance plan been added to this bill.

In order to keep social security taxes from jumping too high at this time, the social security increase had to be limited to 7 percent and the hospital benefits had to be curtailed.

Thus, in the very drafting of this bill both the cash benefit program and the hospital insurance program for the aged have had a restrictive impact on each other.

There are those who claim the new hospital program will not endanger the

cash benefit programs for retirees, for widows, children, dependents, and the disabled under the existing social security programs—old-age, survivors', and disability insurance.

Those making this claim say the new health insurance trust fund set up in H.R. 6675 would be separate from the present social security trust fund. They point out the bill requires social security withholding for hospital benefits to be deducted from wages separately from the regular old-age, survivors', and disability social security deductions.

Separate accounting will not insulate one program from the other. Both programs have already had and will continue to have an impact on each other.

The reason is that the revenues for the old-age, survivors', and disability benefits and the revenues for the new hospital benefits will be derived from the same source; wages of workers in social security covered jobs and railroad retirement covered jobs.

In a very real sense, the OASDI cash benefits programs and the new hospital benefits program are competing for social security taxes levied on wages.

We cannot put too heavy taxes on wages, or we shall deprive workers of the wherewithal to pay their living expenses.

As employers must match the social security tax for each of their workers, this will raise the cost of doing business and this added cost will be passed on to consumers in higher prices. Higher prices make it more difficult to sell abroad in competition with foreign companies.

So the sky is not the limit when it comes to the amount of social security taxes that can be extracted from wages.

There is no doubt that, at some time in the future, when we want to increase the cash benefits for social security retirees, for dependents, disabled persons and all the rest and when the costs of the hospital program require an increase, we are going to reach a point where we cannot increase the burden on wage earners by hiking social security taxes on their wages or self-employed income, or by making more of their wages subject to the tax—raising the taxable wage base.

Some people think that day is not far off.

Even some ardent advocates of hospitalization through social security taxes have already admitted that future social security improvements may have to be financed out of general revenues.

Endorsement of the supplementary insurance program, which is not financed out of social security taxes, is tacit recognition that a fully comprehensive medical care program should not be financed out of social security. The burden would be too great on one segment of our population, the wage earners.

Of course, there is an alternative. That is to make the elderly patients pay a greater share of the costs of this program. I have already pointed out that the bill provides for automatic increases in the amount patients must pay for hospital and nursing home care, starting in 1968, if costs of these services rise enough by then. A patient hospitalized

for 90 days would pay \$340. If he stays the full 100 days in a nursing home after hospitalization, he would pay an additional \$400, for a total of \$740.

Under provisions of H.R. 6675, if hospital and nursing home costs rise appreciably, the amount the patient would pay also will rise.

To make patients pay even more than the bill provides would put a greater burden on the elderly, the very people we seek to help under this program.

#### GENERAL REVENUE FINANCING FORECAST

I predict that eventually the OASDI cash benefit programs or the hospital program will have to be financed, in whole or in part, out of general revenue financing.

Cash benefits for a worker, his survivors, or dependents under the present old-age, survivors, and disability insurance program—social security—are related to wages earned by the worker.

Retirement benefits, survivor's benefits, child's benefits and disability benefits of the existing social security program are of fundamental importance to the economic well-being of Americans.

It is certain this program will have to keep pace with the rising cost of living and necessary further improvements will have to be made in the future.

It seems to me the sensible procedure is to continue the existing OASDI social security programs under the social security tax system.

Hospital benefits under the basic plan of H.R. 6675 are, however, not related to the amount of wages each worker has earned.

Therefore, it makes much more sense to me to finance the hospital program out of general revenues. In this way, the cost of the hospital program can be spread among all taxpayers, according to their income and ability to pay.

Now to return to my commentary on other features of H.R. 6675.

#### CHILD'S BENEFITS EXTENDED FOR FULL-TIME STUDENTS

Child's social security benefits, which formerly terminated at age 18, are continued by the bill up to age 22, provided the child is attending school full-time until then.

I voted for this provision last year in the bill that regrettably died in conference October 3. This year I introduced a bill (S. 498) to extend the age to 22. I fully support this extension, which will help an estimated 295,000 children this year continue their schooling.

I am delighted the provision was made retroactive to January 1, 1965.

#### DISABILITY BENEFITS FOR THE BLIND

Older workers age 55 or over who meet the statutory definition of blindness in the disability freeze could qualify for cash benefits if unable to engage in their past occupation. Benefits would not be paid if they were actually engaging in any substantial gainful activity.

For young workers who are blind and disabled before age 31, the bill permits social security disability benefits if the worker has one-half of the quarters elapsing after age 21 up to the point of disability.

A minimum of six quarters of covered employment would be required for young workers. All other existing requirements of disability must be met, including inability to engage in any substantial gainful activity.

Present law requires a minimum of 5 years of covered employment as one qualification for disability benefits, irrespective of the kind of disablement. This is a difficult requirement for young workers to meet.

To help young workers, earlier this year I introduced a bill establishing a requirement of six quarters of coverage or one-half of the quarters elapsing between age 21 and the age of disability, whichever is greater.

This followed the substance of a recommendation made by the U.S. Advisory Council on Social Security in January 1965.

Unfortunately, the Senate Finance Committee did not approve my amendment and it was not in H.R. 6675 as passed by the Senate. It is interesting to note, therefore, that the House-Senate conference committee reduced the quarters of covered employment for young workers as I had proposed, although they limited the benefits only to blind disabled young persons. I shall continue my efforts to obtain disability benefits for young workers disabled by other illnesses.

#### DISABLED CHILD'S BENEFITS EXTENDED

I regret very much that the House conferees would not accept my amendment regarding disabled children, which was approved by the State Finance Committee and by the Senate itself in passing H.R. 6675.

My amendment provided social security disability benefits for a child disabled before age 22—present law says before age 18—should his parent die, become disabled or retire under social security.

The mother of the child would also be eligible for benefits so long as she continued to have the child in her care.

Under present law, an individual is considered dependent and is paid child's insurance benefits if he has been continuously disabled since before age 18.

Young persons disabled between ages 18 and 22 ordinarily would not have worked the 5 years needed to qualify under existing law for social security disability based on his earnings. It is likely, even if this person is working, his parent would assume financial responsibility for his support following disablement.

Therefore, it is appropriate to extend child's benefits to those disabled before age 22.

An estimated 20,000 persons—disabled children and their mothers—would have become immediately eligible for benefits had this provision been included in the bill. We cannot ease the heartache involved for these disabled young people and their families. But we could help to ease the financial strain by approving this provision.

I regret very much that this provision is not in the final version of H.R. 6675.

#### WIDOWS' BENEFITS AT AGE 60

H.R. 6675 permits widows to receive benefits at age 60 on a reduced basis.

Under present law, a widow must wait until age 62 before she may receive any social security benefits. At that time she receives the full benefit. This bill allows her to elect a reduced benefit starting at age 60 if she would prefer, and in this way gives a widow greater leeway in deciding what is most advantageous in her particular circumstance. It is estimated 185,000 widows will claim benefits under this provision in the first year.

#### BENEFITS FOR SOME PAST AGE 72

H.R. 6675 reduces to a minimum of three quarters the requirement for social security covered employment of certain persons past 72 so that they can qualify for a \$35-a-month benefit. Wives of those who qualify would receive \$17.50 a month and widows \$35 a month.

Some 355,000 persons past 72 would be eligible for benefits, effective the second month after the month of enactment.

This is another provision I voted for last year in the bill that later died. This year I introduced a bill (S. 764) providing these benefits. I am delighted the pending bill includes this feature.

#### EARNINGS LIMIT RAISED

H.R. 6675 increases to \$1,500—now \$1,200—the amount a social security recipient may earn without losing any of his social security benefit.

For each \$2 earned between \$1,500 and \$2,700, he would lose \$1 of his social security benefit. For earnings above \$2,700 he would lose \$1 in benefits for \$1 of earnings.

Now he loses \$1 in benefits for each \$2 earned between \$1,200 and \$1,700; and he loses \$1 for each \$1 earned above that.

In addition, under H.R. 6675 the amount of earnings a beneficiary may have in a month and still receive full benefits for that month, regardless of his yearly earnings, is raised to \$125—now \$100.

About 750,000 persons would be helped by this feature which is effective beginning calendar year 1966.

Earlier this year, I introduced a bill (S. 765) to raise the annual earnings limit to \$2,400 and the monthly limit to \$200 without loss of social security benefit.

At least the provision in H.R. 6675 is a step in the right direction.

#### MATERNAL AND CHILD HEALTH AND WELFARE AMENDMENTS

H.R. 6675 increases the amount authorized in present law for maternal and child health services.

For fiscal year 1966, the increase is \$5 million and for the succeeding fiscal years, the increase is \$10 million a year.

This would raise the 1966 total to \$45 million, rising each year until 1970 and thereafter when the total is \$60 million.

Authorizations for crippled children's service and child welfare would also be increased by \$5 million the first year and \$10 million the following years.

In addition, H.R. 6675 authorizes \$5 million for 1967, \$10 million for 1968, and \$17.5 million yearly thereafter for grants to institutions of higher learning for training professional personnel in

health and related care of crippled children, particularly mentally retarded children and those with multiple handicaps.

A new provision added to the bill authorizes a 5-year program of special project grants for comprehensive health care and services for children of school age or for preschool children.

For fiscal year 1966, \$15 million would be authorized and this authorization would increase until it reached \$50 million for fiscal year 1970.

#### PUBLIC ASSISTANCE IMPROVEMENTS

H.R. 6675 improves and expands the public assistance programs by such amendments as—

First. Increasing the Federal matching share for cash payments for the needy aged, blind, disabled, and families with dependent children.

Second. Eliminating limitations on Federal participation in public assistance to aged individuals in tuberculosis and mental disease hospitals under certain conditions.

Third. Allowing States greater latitude in disregarding certain earnings in determining need of public assistance recipients.

These are some of the highlights in the bill requiring special comment before I proceed to discuss the two health and medical care plans.

#### CONSOLIDATED MEDICAL ASSISTANCE PROGRAM

H.R. 6675 consolidates five existing medical assistance programs into one Kerr-Mills program with improvements.

This should greatly simplify administration of medical assistance for the needy, the indigent aged, the medically indigent aged, dependent children, the blind, and the permanent and totally disabled.

More than that, it should make possible better medical care programs for them.

In the past, Federal old-age assistance has been available to provide medical care for those who are indigent. In 1960, Congress enacted the medical assistance for the aged program to help those who are normally self-supporting but who lack sufficient funds to pay their hospital, doctor, and medical bills. I voted for this program.

Since 1960, this program, known as the Kerr-Mills program, has been put into effect in 40 States, the District of Columbia, Puerto Rico, Virgin Islands, and Guam. During the brief life of this program so far, it has helped hundreds of thousands of sick people past 65.

Critics have lambasted this program.

Yet no one today proposes to repeal the Kerr-Mills program.

Instead, the pending bill, H.R. 6675, provides a more effective Kerr-Mills program for the aged and expands its coverage to the other four groups I mentioned, now cared for under other programs.

In order to make sure that certain basic medical care is available under the consolidated program, the bill specifies that, at the option of the State, by July 1, 1967, a State must provide inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services

for those age 21 or over, and physicians' services—whether furnished in the office, the patient's home, a hospital, a skilled nursing home, or elsewhere—in order to receive Federal funds.

Past experience revealed, that despite Federal old-age assistance and despite the Kerr-Mills assistance program, there remain a large number of Americans past 65 whose incomes are too large for them to qualify for these programs, but are not large enough for them to buy comprehensive health insurance which would protect them against costly illness.

As a member of the Senate Special Committee on the Aging and as a Senator who has devoted much study to the problem of medical care for the aged, I have long been convinced that one of the greatest fears of older persons is an illness that could wipe out a lifetime savings and result in destitution. I cosponsored legislation in the 86th, 87th, and 88th Congresses to provide financial assistance to older Americans for comprehensive health insurance.

One of the major purposes of H.R. 6675 is to reduce these fears of Americans past 65 and help provide them a bulwark against these hazards of illness and impoverishment.

While the bill does not do the entire job, it does a significant and important job.

#### MEDICAL BILLS ONLY ONE PROBLEM OF AGING

I would like to remind Members of Congress and the executive branch that the health provisions and social security liberalizations in this bill are but steps toward solving the serious problems of our Nation's senior citizens.

We in Congress, Federal departments and agencies, and our State and local governments must not neglect other major problems of older Americans.

##### 1. BETTER INCOMES

We must search for ways to improve further the income of our senior citizens so that they can live in dignity and self-sufficiency.

One forgotten group among our older people is the group that does not receive social security retirement benefits, nor railroad retirement benefits, nor military pensions, nor Federal Government retirement.

Congress has adjusted annuities for these latter groups of retirees from time to time because this is in the province of Congress. But those retired under many private systems or living off savings received no increases to keep pace with the rising cost of living.

##### 2. HALT INFLATION

We must make far greater efforts to halt inflation, which is steadily eroding pensions and incomes and wages.

Inflation hurts most those with low incomes or fixed incomes. While the cost of living goes up and up, their incomes remain the same and their few dollars buy less.

Inflation is the root cause of the 7 percent social security increase provided in H.R. 6675.

##### 3. BAN EMPLOYMENT DISCRIMINATION

Another problem of our older people demanding our attention is the discrimination against employing these who are ready, willing, and qualified to work.

The U.S. Department of Labor in June issued a lengthy report urging elimination of arbitrary age discrimination in employment.

To deny a person a job solely because of a policy that no one beyond a certain age shall be hired is bad practice. It hurts not only those past 65 but also those in much younger age brackets, even as young as 25.

#### 4. OTHER AREAS

There are other areas of special concern to older Americans: housing; diseases of the aging; frauds, deceptions, and quackery aimed at older persons, and many others which demand our attention at all levels of government.

So, while the bill, H.R. 6675, we are voting on soon is wide in scope and important, it is not the total answer to the problems of older Americans.

#### CONCLUSION

Mr. President, I wholeheartedly support the objectives of this bill to help the aged, children, blind and disabled persons, and needy Americans.

I agree existing programs are not meeting fully the need of many elderly people for financial assistance toward their medical expenses.

I believe it is wrong to provide medical care for those well able to pay their own medical bills.

I believe more assistance could be provided elderly people who really need help if the bill excluded those who do not need help.

I believe the tax burden on low-income people for medicare would be far less if medicare were financed out of general revenues, rather than social security taxes. By tying this program to social security taxes 40 percent of the taxable income in America will escape the burden of helping to pay for a hospital-nursing home plan. This means the tax burden is that much heavier on wage earners, self-employed, and employers.

But the majority of the Senate and the majority of the House of Representatives through established congressional procedures, have indicated they clearly favor the plan in this bill, which provides limited medical care for the aged, regardless of need, financed by social security taxes on wages, regardless of ability of wage earners to pay them.

Mr. President, I believe a far better medical care plan could be provided but in view of the legislative situation and in view of the many, many necessary, long-overdue, and humanitarian provisions of this enormous and complex measure, I shall vote to pass H.R. 6675.

I shall do so because I believe there is now a gap in protection of America's senior citizens against costly illness. This bill will help to fill that gap.

I shall do so because I believe the 7-percent social security increase is urgently needed by all those millions of Americans now receiving social security.

I shall do so because I believe social security programs need improvement to better help retirees, children, dependents, the disabled, and the blind. The bill has many provisions to improve social security.

I shall do so because I believe that through this legislation America is once

again proving we are a Nation with a heart; throbbing with compassion for the sick, the aged, the deprived; that we are a Nation with a conscience that pricks us to meet the human needs of our people; and that we are a Nation with the spirit and the will to make sure all Americans can live in dignity, free from fear of destitution.

H.R. 6675 is a milestone in our Nation's march toward greater progress and well-being for all Americans.

I shall vote for the bill.

Mr. LONG of Louisiana. Mr. President, I yield 5 minutes to the Senator from Kentucky.

Mr. COOPER. Mr. President, the Senate will take final action and send to the President today the Social Security Amendments of 1965—including hospital and medical care insurance for the aged, and increased benefits in the regular social security programs. I voted for the bill when it passed the Senate, and will vote today for the report of the Senate-House conference agreeing upon the final form of this major extension and improvements of the social security system.

The bill revises many programs and benefits under the social security system, which will be helpful to millions of people today and in the years to come. But one part of the bill has been controversial.

The issue of medical care for the aged has been discussed and debated ever since I came to the Senate in 1947. For 5 years it has been before the Senate in the general form adopted by the Congress in this bill.

For example, in 1954 President Eisenhower recommended Federal reinsurance of private health plans, but the proposal did not receive support. Several of us worked hard on a voluntary bill financed from general revenues, not unlike eldercare proposed this year, which we offered as a substitute for the King-Anderson social security bill in 1960; it was opposed from all sides. Later, in 1962, we were able to secure improvements and important amendments to the Anderson-Javits bill. These amendments, which we first proposed, are in this bill. One includes under coverage of the bill all of those, numbering over 2 million, who are not under social security; another proposed the separate trust fund for medical care benefits which is in this bill.

I voted against medicare in 1960 and 1964 because it was brought up after the political conventions and before the elections, and had not been approved by the House which must first consider such measures. I believed those bills had not been carefully drawn, with assurance of keeping the social security trust fund sound, and I could not vote for a bill unless it was sound financially.

This discussion, thorough committee consideration, and full debate, has developed facts—recognized by the Congress in this bill.

First. It is clear that there are millions of people over 65 years of age who, because of their financial circumstances, cannot secure the extent of hospital and other medical care which is available to those more fortunate.

Today, there are nearly 19 million people over 65 years of age, and that number will grow. It is estimated that 1 out of 6 of this group will be hospitalized every year, and 9 out of 10 during their lifetimes. Over 75 percent of these persons have a cash income of less than \$2,000 per year. These figures prove the truth that there are millions among those now over 65 years of age, and millions who will reach 65 in the years to come, who will not be able to bear the expenses of hospitalization.

The second fact developed in the long debate which has gone forward over the years is that there is no method, other than social security insurance, which can provide for the hospital expenses that millions of persons over 65 years of age must bear.

Many in the medical profession opposed this bill, and I am sure with sincerity; but humane and noble as their efforts have been to provide care for those who are unable to pay, it is clear that the medical profession cannot pay the hospital costs of millions of our citizens. Private insurance plans have done much to provide protection for older persons, but require higher premiums and restricted benefits for the aged, and often can be canceled by the company leaving older persons uninsured and without hope for the future. Finally, our earlier efforts showed that the Congress, the medical profession, insurance companies, and the general public would not support medical care bills requiring the annual appropriation of sums reaching into billions of dollars. And yet, without such appropriations, there is no legislative method of providing even minimum care through a wholly nonsocial security approach.

I am fully aware of the objections have been made to medicare. It has been said that the Kerr-Mills provisions, which this bill also amends, are sufficient; but its assistance is available only to persons in the lowest income scale. It is true that this bill will provide benefits for those who have reached the age of 65, whether or not they have contributed to the social security system, but this is true of the present programs under social security, it will also provide the assurance of hospital, nursing and home care of millions who now and in future years will contribute to the social security fund. It is argued also that the rich and well to do will enjoy the benefits of this bill; but less than 4 percent of persons over 65 have an income exceeding \$10,000 annually, and the bill assures equality of treatment for all who contribute to its financing.

The objections to medicare derive basically from opposition to any plan financed through the social security system, upon the grounds that such a measure is compulsory and socialistic. I do not question the sincerity of those who take this position. But I say that these same arguments have been and can be applied to the social security system, which has been effective since 1937. Its purpose is to provide cash benefits to persons reaching the age of retirement, to help them meet their minimum needs for food, clothing, and housing.

I consider health care as being similarly a basic need. Who can argue that health care for persons over 65 who are sick, injured or desperately ill is not as important to them as the provision of cash benefits to others for food, clothing, and housing?

I have lived the greater part of my life in Pulaski County, serving as a county judge and circuit court judge. As a Member of the Senate, I have traveled throughout my State many times. From my experience and observation, and from the facts which I have studied carefully during my service in the Senate, it is clear to me that there are thousands of people in Kentucky and millions in the United States who do not have the same opportunity for hospitalization and medical care which is available to others in better financial circumstances.

I do not need any statistics to know this is true. From my own knowledge of the plight of dozens of families that I have known, I know this to be true. I have been in their homes and in the hospitals and have seen these people.

Can a great country like ours—the wealthiest in the world, the country with the greatest medical facilities, the greatest program of medical research, a country possessing noble and unselfish doctors and dedicated nurses, a country which provides the most complete and painstaking care for those who are able to pay—can this country delay longer in taking steps to provide hospital and medical care for millions who are unable to do so?

I would not want to leave the Senate without having voted for legislation to provide assurance of health care to these millions of people. I have considered and worked on the problem for years. I see no way of providing such care without the passage of this bill.

I think of this issue as one of the great human problems of our times. I have made my decision upon the basis of facts as I have studied them, and taking into consideration the need of many of our fellow citizens.

Mr. President, I have prepared an outline of some of the principal benefit provisions contained in H.R. 6675, and ask unanimous consent that it be included in the RECORD at this point.

There being no objection, the outline was ordered to be printed in the RECORD, as follows:

#### HEALTH INSURANCE AND MEDICAL CARE FOR THE AGED

##### BASIC HOSPITAL INSURANCE PLAN—BENEFITS

1. Inpatient hospital services for up to 90 days in each spell of illness. The patient pays a deductible amount of \$40 for the first 60 days, plus \$10 a day after 60 days. Hospital services would include all those ordinarily furnished by a hospital to its inpatients; however, payment would not be made for private duty nursing or for the hospital services of physicians except services provided by medical or dental interns or residents in training under approved teaching programs. Inpatient psychiatric hospital service would also be included, but a lifetime limitation of 190 days would be imposed.

2. Posthospital extended care (i.e. a facility having an arrangement with a hospital) after the patient is transferred from a hospital for up to 100 days in each spell of illness. After the first 20 days of care, patients

will pay \$5 a day for the remaining days of extended care.

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

4. Posthospital home health services for up to 100 visits, after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness.

**VOLUNTARY SUPPLEMENTARY MEDICAL INSURANCE PLAN—BENEFITS**

Physicians' services, home health services, and numerous other medical and health services in and out of medical institutions. There would be an annual deductible of \$50. Then the plan would cover 80 percent of the patient's bill (above the deductible) for the following services:

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

2. Home health service (with no requirement of prior hospitalization) for up to 100 visits during each calendar year.

3. Diagnostic X-ray, diagnostic laboratory tests, and other diagnostic tests.

4. X-ray, radium, and radioactive isotope therapy.

5. Ambulance services.

6. 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) which replace all or part of an internal body organ, braces, and artificial legs, arms, eyes, etc.

**CHILD HEALTH AND WELFARE AMENDMENTS**

Health care for needy children: A new provision is added authorizing the Secretary of HEW to carry out a 5-year program of special project grants to provide comprehensive health care and services for children of school age, or preschool children, particularly in areas with concentrations of low-income families. Projects would have to provide screening, diagnosis, preventive services, treatment, correction of defects, and aftercare limited to children in low-income families.

Mental retardation planning: Would authorize grants for the purpose of assisting States to implement and follow up on plans and other steps to combat mental retardation.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS**

1. Seven percent across-the-board increase in old-age, survivors and disability insurance benefits.

2. Payment of child's insurance benefits to children attending school or college after attainment of age 18 and up to age 22 (295,000 children will be eligible; no mother's or wife's benefits would be payable if the only child in the mother's care is one who has attained age 18).

3. Benefits for widows optional at age 60, actuarially reduced (185,000 widows will be eligible).

4. Amendment of disability program. Definition changed to make benefits payable (if sufficient severity exists) if the disability can be expected to last for a continuous period of not less than 12 calendar months. (Former requirement was that a worker's disability must be expected to be of long continued and indefinite duration and expected to result in death. Also provides offset provision, allowing worker to obtain total benefits (from social security and workmen's compensation) not to exceed 80 percent of

his average monthly earnings under social security.) Liberalizes to some extent requirements for blind people; those 55 and over who meet definition could qualify for cash benefits on the basis of their inability to engage in their past occupation.

5. Benefits to certain persons at age 72 or over. Provides a "transitional insured status." A worker could qualify for benefits at age 72 if he had one quarter of coverage for each year that elapsed after 1950 and up to the year in which he reached age 65 (62 for women), with a minimum of three quarters. Present law requires six quarters. Those quarters could have been acquired at any time since the inception of the program. Also, any widow who attains age 71 in or before 1965, if her husband died or reached age 65 in 1954 or earlier, could get a widow's benefit when she is age 72 or over, if her husband had at least three quarters of coverage. Present law requires six quarters.

6. Retirement test: Under new bill, the first \$1,500 of earnings a year would be fully exempted, and there would be a \$1 reduction in benefits for each \$2 of earnings between \$1,500 and \$2,700, and for each \$1 of earnings thereafter. In addition, the amount of earnings a beneficiary may have in a month, and get full benefits for that month regardless of his annual earnings, would be raised from \$100 to \$125. (Under existing law, the first \$1,200 a year is fully exempted, and there is a \$1 reduction in benefits for each \$2 of annual earnings between \$1,200 and \$1,700, and for each \$1 thereafter.)

7. Wife's and widow's benefits for divorced women: Payments would be authorized to the divorced wife of a retired, deceased, or disabled worker if she had been married to the worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by the court to make) a substantial contribution to her support when he became entitled to benefits, became disabled, or died. Provision is also made for the reestablishment of benefit rights for a divorced wife, a widow, or a surviving divorced wife who remarries and the subsequent marriage ends in divorce, annulment, or in the death of the husband.

The PRESIDING OFFICER. The Senator from Louisiana has a half-minute remaining.

Mr. LONG of Louisiana. Mr. President, I do not believe that I could do very much with the last few seconds. Therefore, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The VICE PRESIDENT Without objection, it is so ordered.

The question is on agreeing to the conference report on the medicare bill. The yeas and nays have been ordered, and the clerk will now call the roll.

The legislative clerk called the roll.

Mr. DIRKSEN (after having voted in the affirmative). Mr. President, the Senator from Nebraska [Mr. CURTIS] is absent on official business. I have a pair with him. If he were present and voting, he would vote "nay." If I were privileged to vote, I would vote "yea." Therefore, I withdraw my vote.

Mr. LONG of Louisiana. I announce that the Senator from Idaho [Mr. CHURCH] and the Senator from Okla-

homa [Mr. HARRIS] are absent on official business.

I also announce that the Senator from Minnesota [Mr. McCARTHY] and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH] would vote "yea."

Mr. KUCHEL. I announce that the Senator from Nebraska [Mr. CURTIS] is detained on official business and his pair has been previously announced.

The result was announced—yeas 70, nays 24, as follows:

[No. 201 Leg.]

YEAS—70

Aiken	Hayden	Moss
Anderson	Hill	Muskie
Bartlett	Inouye	Nelson
Bass	Jackson	Neuberger
Bayh	Javits	Pastore
Bible	Jordan, N.C.	Fell
Boggs	Kennedy, Mass.	Frouty
Brewster	Kennedy, N.Y.	Proxmire
Burdick	Kuchel	Randolph
Byrd, W. Va.	Lausche	Ribicoff
Cannon	Long, Mo.	Russell, S.C.
Carlson	Long, La.	Russell, Ga.
Case	Magnuson	Saltonstall
Clark	Mansfield	Scott
Cooper	McClellan	Smathers
Cotton	McGee	Smith
Dodd	McGovern	Symington
Douglas	McIntyre	Talmadge
Fong	McNamara	Tydings
Fullbright	Metcalfe	Williams, N.J.
Gore	Mondale	Yarborough
Gruening	Monroney	Young, Ohio
Hart	Montoya	
Hartke	Morse	

NAYS—24

Allott	Hickenlooper	Pearson
Bennett	Holland	Robertson
Byrd, Va.	Hruska	Simpson
Dominick	Jordan, Idaho	Stennis
Eastland	Miller	Thurmond
Ellender	Morton	Tower
Ervin	Mundt	Williams, Del.
Fannin	Murphy	Young, N. Dak.

NOT VOTING—8

Church	Dirksen	McCarthy
Curtis	Harris	Sparkman

So the conference report was agreed to.

Mr. LONG of Louisiana. Mr. President, I move that the Senate reconsider the vote by which the conference report was agreed to.

Mr. MUSKIE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, I wish to mark this historic occasion by expressing by sincere thanks to the distinguished junior Senator from Louisiana [Mr. LONG], for piloting successfully through the Senate this measure of such great national significance. He displayed his usual skill and understanding. He gave Senators an opportunity to express their views. We owe him a great debt for what has happened.

I also wish to express my thanks to the distinguished senior Senator from New Mexico [Mr. ANDERSON], who has labored long and faithfully for many years to bring into being this type of bill, and for many years was known as the Anderson-King bill, which will soon be the law of the land.

To him great credit must be given for the work he has done through the years, for this is a most auspicious occasion.

I also pay tribute to the distinguished Senator from Tennessee [Mr. GORE]. Last year, when the Senator from New Mexico was not feeling too well, the Senator from Tennessee stepped in and helped carry a part of the burden in furthering the consideration of this type of legislation.

My thanks go to all Members of the Senate, those who were for and also those who were opposed, because those who are opposed were most constructive. What has happened today will mark a new milestone in the history of American social legislation.

Mr. ANDERSON. Mr. President, I hope the Senator from Montana will not forget the able Senator from Michigan [Mr. McNAMARA].

Mr. MANSFIELD. I am glad the Senator has called him to mind. I intended to mention him also, and had him in mind. The trouble with the Senator from Michigan is that he gets off in a corner, and although one has his name in mind, and intends to call attention to him, one loses sight of him. In connection with this legislation, he did yeoman work. He was always in the forefront, and to him also goes credit for being among the leaders in having this legislation passed.

Mr. ANDERSON. He did magnificent work in his Special Committee on the Aging, and he also did great work on this bill.

Mr. MANSFIELD. As he did also in connection with so many other bills. It is difficult, Mr. President, to recall all those Senators who so deservedly should be mentioned at this time.

There have been so many ardent supporters and advocates of this legislation that my memory will necessarily fail. However, in addition to those already mentioned, I must not forget the efforts of the senior Senator from Illinois [Mr. DOUGLAS], the junior Senator from Connecticut [Mr. RIBICOFF], the junior Senator from Ohio [Mr. YOUNG], and the junior Senator from Oregon [Mrs. NEUBERGER]. Their efforts have today been successfully completed. It is a day of satisfaction in the Senate, a day of fulfillment for the country.

THE URGENT HEALTH NEEDS OF OUR SENIOR CITIZENS AND OUR SOCIAL OBLIGATIONS TO THE NEEDY AND CRIPPLED

Mr. PASTORE. Mr. President, today in the Senate we have concluded consideration of the most significant piece of social legislation ever enacted by Congress.

It is worthy of note that medicare—this vast program of medical aid to our indigent and elderly citizens should be enacted this year in 1965—when we com-

memorate the 30th anniversary of the social security system. Medicare culminates three decades of concern for the needy. But medicare is not a panacea nor will it cure all the ills that beset our aged citizenry. Medicare is, however, an immense step forward in the preservation of our national health. We have overcome the initial inertia and opposition to Federal health legislation.

Medicare meets the requirements of actuarial soundness and fiscal responsibility but far more important medicare meets the requirements of these times—it meets the urgent health needs of our senior citizens.

Medicare meets our social obligations to the needy, the crippled, the millions of citizens whose primary source of livelihood is social security benefits.

Medicare is a memorial dedicated to the dream of President John F. Kennedy; medicare is a monument to the untiring efforts of President Lyndon B. Johnson.

Mr. YARBOROUGH. Mr. President, today the long struggle of the American people to insure that every elderly citizen, no matter whether rich or poor, can live ut his life with proper medical care has made its greatest advance in American history. No longer must all of our elderly citizens be faced with the dilemma of whether to seek proper medical aid and be forced into poverty or to resign themselves to illness. This is a great day for the American people.

Yesterday the House accepted the conference report. Today we have overwhelmingly accepted it in the Senate. This is not just a bill for medicare, it is actually two bills in one, as we are also raising social security and old age pensions to a level that is comparable with the cost of living. As soon as the President signs this bill, a dream that many of us have had for decades will come true.

This is a \$6½ billion a year bill. Of this amount, a little over \$3½ billion a year will be spent for medical care for the aged, and a little less than \$3 billion a year will be for increased social security payments and increased old age pensions.

Today I rejoice for every elderly citizen in America. I rejoice for every son and daughter in the country who has elderly parents. The bill we have accepted today provides a shield around millions of our elderly to protect them from the crushing financial burdens of illness in old age. It brings added dignity and respect to those who are on social security and old age pensions.

Time will prove this bill to be one of the most humanitarian and merciful measures that this Congress has enacted.

I consider it a great privilege to add my vote to the many cast in favor of this bill today.

Mr. KENNEDY of New York. Mr. President, our passage of the conference report on the medicare bill today is a great tribute to the efforts over such a long period of time of the senior Senator from New Mexico. We are all pleased today at the results of his constancy and diplomacy, and I know how particularly pleased President Kennedy would be that CLINTON ANDERSON'S untiring efforts have come to fruition. Today's vote is a great achievement, and in its coming to pass the Senator from New Mexico has played a historic role.

THE PASSAGE OF THE MEDICARE BILL

Mr. DOUGLAS. Mr. President, earlier today the Senate agreed to the conference report on the so-called medicare bill. It is now on its way to the President's desk for signature and it will shortly become the law of the land.

The hospital, nursing-home, and home-care features of the measure will become effective on the 1st of next July. The medical and surgical care features will go into effect in 17 months, on the 1st of January 1967.

As the Senator from Louisiana [Mr. LONG] has said, I regard this as the most important forward step in the field of social legislation since the passage of the original Social Security Act of 1935, 30 years ago. I believe it will turn out to be a beneficent step.

I feel we owe a great debt to the pioneers and to those who have borne the heat and burden of the battle.

As one who has been identified for more than four decades with the general movement for what is called social insurance, I wish to include some of the early pioneers of this movement for praise, as well as those who have carried the ball down the field in later years.

We are all deeply indebted, of course, to the eminent Senator from New Mexico [Mr. ANDERSON] for the magnificent leadership which he has given in conjunction with his opposite number, Representative CECIL KING, of California.

We are deeply appreciative of the splendid work in the conference committee that was done by my friend the eminent Senator from Louisiana [Mr. LONG] while Senator RIBICOFF has always been a tower of strength within this body and as Secretary of Health, Education, and Welfare.

We remember the work of the late Jim Murray, of Montana, who fought for somewhat similar measures 15 and 20 years ago along with the sturdy Bob Wagner and John Dingell, of Michigan, whose fine sons are carrying on their great tradition.

We remember that Representative Aime Forand, of Rhode Island, in his bill which was introduced, as I recall, in 1957, initiated the modern movement for what is now called medicare or medical insurance for the aged.

Working along with those congressional and parliamentary leaders have been large numbers of citizens. I could call a long list of the persons who have devoted energy, time, and money and who have suffered obloquy and scorn for their work. I wish time permitted me to do this, but I could not omit from any list Mr. Nelson Cruikshank, the able and devoted expert on social insurance of the AFL-CIO, who is not only very knowledgeable but also temperate, yet determined, in action. He has made an immeasurable contribution to the passage of the bill and to its ultimate approval. Generations should rise up and bless him for his work.

Joined with him is Mr. John W. Edelman, the modest and efficient head of the senior citizens group, which has been a strong supporter of the legislation. Working with all these men have been Under Secretary Wilbur Cohen and Secretary Anthony Celebrezze. I should also mention the two previous Secretaries of Health, Education, and Welfare, Marion Folsom and Arthur S. Flemming, who served under President Eisenhower, but who at that time were not in a political position publicly to favor the measure, but who, after leaving office, as citizens gave this proposal their invaluable support.

My mind goes even further back into the past. I remember Prof. Henry R. Seager, of Columbia, who in the decade following 1910 stressed the importance of protection against the costs and risks of ill health.

I recall how this matter was then taken up by Abraham Epstein and I. M. Rubinow, of the American Association for Social Security, and their opposite numbers, Dr. John B. and Irene Andrews, of the American Association for Labor Legislation, who were two of the favorite pupils of the beloved John R. Commons, of the University of Wisconsin. I remember my own colleague and friend, D. H. A. Millis of the University of Chicago and Dr. Paul Dadel of UCLA.

In the late 1920's and early 1930's, a private committee on the cost of medical care was created, headed by Dr. Ray Lyman Wilbur, president of Stanford University and a former Secretary of the Interior. He assembled an eminent staff headed by an old friend of mine, Dr. Harry T. Moore, formerly of Reed College of Portland, Oreg.

The preliminary work done by all these men and women and many others helped

to create a public consciousness of the problem and to awaken public opinion about the high cost of medical care and the inability of a large section of the population to meet those costs.

Dr. Wilbur and Mr. Moore provided invaluable service in shifting the center of attention from cash benefits, which had been the main feature of the previous British system of health insurance, to the actual provision of hospital, nursing, medical, and surgical care. This became the main theme of later years and furnishes the backbone of the bill which the Senate is about to pass.

These men and women and their many allies all over the Nation will probably never be known to history, but they should not be forgotten as we celebrate the final passage of this act. They are the unseen heroes of democracy who are at once the glory of democracy and its strongest defenders.

Along the way, we met with very heavy opposition, largely emanating from the American Medical Association. As one who for almost 40 years has fought in the ranks on this question, may I say that we cherish today no animosity as a result of that opposition. We are ready to forget and forgive. We merely ask that once this has become the decision of the public, as it now has been, we all pitch in with good will and try to make as great a success of the act as is possible.

We will indulge in no comments about those who came at the 11th hour and 59th minute to the support of the measure. As the Good Book tells us, Jesus said that the master of the vineyard paid the same wage to those who came to work at the 11th hour of the day as to those who worked throughout the long day.

We are very grateful that there are many Members of the House, of the Senate, and of the general public who have shown a willingness to change their minds. We shall not make any analysis as to precisely when these men joined the movement which now sees its victorious culmination. All can share in the thrill of victory.

We merely ask that we all work together to make this measure a success.

#### II. WHAT THE ACT WILL DO

The general plan is a good one. It includes all those over the age of 65 in a universal plan for hospital, nursing home care, and home care for those suffering from illness. It will lift a mighty burden of fear and expense from their shoulders and, in so doing, will relieve the heavy pressure upon their children and their grandchildren.

We ask in return that they should not abuse the system, that they should not make excessive use of it, that the com-

mittees set up in the various hospitals be kindly and charitable, but that they should not encourage malingering, and that every effort be made to conserve funds, as well as to alleviate and cure illness. This system is to be financed in the main by payroll assessments upon the employed and self-employed and an increase in the amount of wages so taxed to \$6,600. The rate starts with around thirty-five one-hundredths of 1 percent upon employer and employee and in 20 years will amount to approximately five-sixteenths of 1 percent upon each. The rate for the self-employed is the same as the rate for employees. There are also modest deductibles of \$40 which must be paid to lessen the danger that the hospitals will be overused. For hospital care beyond the 60th day, a co-insurance payment of \$10 a day for 30 days is required. Then comes 100 days of nursing home care with \$5 a day co-insurance payment for days in excess of 20. Finally there is to be 100 home health visits after hospitalization without additional charge.

There is also the voluntary contributory plan B under which those over the age of 65, generally at the age of 65, would choose as to whether they would also come under a contributory plan which would provide medical and surgical care in return for a contribution by the individual of \$3 a month. This is to be matched by an equal contribution from the general Treasury, for a total contribution of approximately \$72 a year.

We hope and believe that a very large proportion of those over the age of 65 will make this voluntary choice. They will be assisted in making such a choice by a third feature of the bill, which is an increase of 7 percent in the social security benefits, or a minimum of \$4 a month for a person, which would furnish the aged with a little extra money for the people to make the contribution of \$3 a month.

To back up that assistance, we have what is known as an expanded, purified, and strengthened Kerr-Mills arrangement so that in cases in which the deductibles are too heavy and the period of care too prolonged, with the people still in need, this aid could be provided through a Federal-State system. In other words, the Kerr-Mills Act will support the system of medicare just as old-age assistance supports the social security system.

I believe this is proper, and that it is the correct role for an assistance program, not to be in the frontline trenches and not to require everyone to go through a means test, but to hold such protection in reserve for those who need it, whose own resources, plus the resources of the

social security funds are inadequate to meet the costs of their illness.

I believe that we have established a good system. I am very happy that the finances of the new system are to be kept separate from the social security fund itself, so that the integrity and actuarial adequacy of the social security fund will not be endangered by any deficits which may occur in the medicare field. Let me say that I do not anticipate any deficits. However, if they do occur, Congress can deal with them.

While I am on that subject, let me say that the system of funding required for an all-out system of social security is very different from that required by private insurance companies. Private insurance companies are not certain of a future flow of income, since it is purely a voluntary matter as to whether a person in the future takes out a policy at all, whether he continues his policy, or whether he insures in that particular insurance company.

As a result, each insurance company has to have its fund and its reserves so that it can meet any possible falling off of income flow and so that it can prepare for the obligations already created.

This same necessity does not apply in the case of a governmental social security fund covering, as this one does, virtually all people. It is assured of a future flow of income. I do not anticipate that this measure will ever be repealed. In spite of the suggestions which were made last year that this might happen, the results of last year's election campaign demonstrated that it will not happen. Therefore, being assured of this flow of income, it is not as necessary to accumulate the huge reserves which would be actuarially required if the fund were to stand alone.

The long campaign has been worthwhile. We must administer the act with humanity and yet with prudence. I again say that we welcome the cooperation of antagonists, of previous antagonists, and of others. We welcome the cooperation of the medical profession, in spite of all the bitter things which their spokesmen have said against us who advocated this measure. We will not join in any reviling. We want to leave the way open for all to do their best in making this system work.

I wish that I might stop here. However, I cannot, because in one crucial matter the conference, in my judgment, made a great mistake.

### III. THE OMISSION OF SPECIALISTS FROM PLAN A

This is the fact that the final version of the bill omits the provision which I had the honor of sponsoring, to which the Committee on Finance agreed, and which the Senate approved.

This amendment would provide, as did the King-Anderson bill before it, that when a hospital bills a patient for the services of a medical specialist in the fields of radiology, pathology, anes-

thesiology, and psychiatry, plan A, or the hospital benefit section, would cover those charges.

I wish to make it clear, however, that this amendment also provided that if the medical specialist had a wholly independent practice in which he billed the patient directly for his services, then, under this amendment, namely the committee amendment, and the Senate amendment, the reimbursement would be made under plan B.

This amendment was thrown out by the conference committee. All the services of specialists have now been placed under plan B, not under plan A. The action of the conferees, I regret to say, places the full force of the Federal Government against the prevailing practice in a large number of hospitals—and I believe the major portion of hospitals—of providing the services of these medical specialists as essential and customary hospital services, and billing for them along with the charges for related hospital services.

I think it is a great mistake for the Federal Government to interfere in the relationships between medical specialists and the hospitals. The Finance Committee amendment, which I had the honor to sponsor, only provided, as did the original feature of the Anderson bill, that the Federal Government remain neutral with respect to the arrangements a medical specialist should have with a hospital. The action of the conferees is in direct opposition to long-standing arrangements developed under free choice among many specialists and many hospitals, and contradicts the prevailing practices developed by many Blue Cross plans and existing Federal Government health care plans. It instead attempts to dictate a nationwide pattern prescribed by the Federal Government.

Not only is the action of the conferees an unwarranted interference in this relationship between hospital and medical specialists, but it also constitutes a significant and immediate reduction in benefits to our aged people. Because of the deductible and coinsurance features of the supplementary plan under which services of medical specialists now must be covered, and because of the voluntary nature of the plan, many patients will have to bear the cost of these services in full or in major part.

Moreover, it is very likely that the full meaning of this action by the conferees will be an extraordinary increase in the costs of medical services to our elderly citizens. The president of the United Steelworkers of America, Mr. F. W. Abel, has pointed out this danger in his letter of May 14, 1965 to the Senate Finance Committee, which is printed in the *RECORD* of July 9.

The estimates of Mr. Abel, based on a Blue Cross study of several years ago which has been updated, apply, of course, to all patients and to the increase in costs

expected should the method of paying for the entire services of the radiology, laboratory, and anesthesiology departments be changed. The exclusion of benefits for people over 65 which the conferees have agreed to apply only to the services of the medical specialist himself, and part A would still pay for a portion of the costs of the services of these departments attributable to general overhead, the salaries of technicians and materials used. The total costs of the services of these departments, including the charges of the medical specialists, have been estimated at approximately 20 percent of the average total hospital bill. The charges attributable to the medical specialists alone have been estimated to be approximately 5 percent of the total hospital bill. In other words, the charges of the medical specialists are approximately one-quarter of the charges of the departments as a whole.

Therefore, from Mr. Abel's report, it can be estimated that the action of the conferees will add an immediate cost to aged patients of approximately \$10 to \$12 million a year.

But, Mr. President, the action of the conferees has not simply added an increase of \$10 to \$12 million to the bills of persons over the age of 65. What they really have done is to begin the bludgeoning of hospitals, which now have agreements with the medical specialists providing for payment through the hospital, into giving up these arrangements. The point is that if the hospitals must change their arrangements with the medical specialists with respect to the aged persons over the age of 65, this will be a powerful pressure on behalf of their abandoning these arrangements completely.

In other words, this will operate not merely for the 19 million who are over the age of 65, but for the 192 million people of all ages.

And, so this action of the conferees may well be the initial step in the adding of \$100 to \$150 million a year to the medical bills of the old people of this country.

There is little doubt that this use of the Federal Government to force the hospitals and the medical specialists who have freely entered into these arrangements to abandon them was precisely what the AMA and special group lobbyists actually intended. These lobbyists bitterly fought our amendment to make the Federal provision in this respect neutral rather than actively on the AMA side as provided in the House bill, and the House bludgeoned the conference committee into accepting their provision.

Some who testified before the Finance Committee have charged that one motive behind the opposition to my amendment is the desire of certain of the medical specialist groups to eliminate existing agreements which they regard

as impairments to those medical specialists who are reported to be making or wishing to make an unlimited income above \$50,000 or \$100,000 a year. I do not make this charge, but I feel privileged to at least raise the question because of the bitter opposition to my amendment which is difficult to explain. There will be those who will properly wonder where the added millions of dollars which now must be paid by aged people will end up.

It seems to me a continuing study of this matter by the Department of Health, Education, and Welfare, by the House Ways and Means Committee, and by the Senate Finance Committee will be very much in order, to see exactly what does happen.

As the debate of July 9 made very clear, the effects of the decision of the conferees will be drastic, widely felt, and injurious to the public interest. It will contribute to the disruption of the procedures which have been made in this matter by such States as Iowa. It will make the administration of this law much more complex, and it will present the aged beneficiaries with a perplexing quantity of separate billings. It will probably require the wide renegotiation of existing contracts between hospitals and specialists and between hospitals and third party agencies.

While this amendment may appear minor in contrast to the great achievement of this legislation taken as a whole, the decision of the conferees is a most serious error.

For all of these reasons, I believe that a thorough investigation of this matter should be immediately started.

Section 1867 of this legislation, as I understand it, provides that the Secretary shall appoint a Health Insurance Benefits Advisory Council of 16 persons to advise the Secretary on matters of general policy in the administration of the hospital and medical care title of this legislation.

In view of the importance of this question, I believe that an investigation of it in depth, going into such questions as whether there may be an unwarranted increase in administrative difficulties and costs to the public, should be made the first order of business for this Advisory Council.

I hope that this Advisory Council will be appointed as soon as possible so that it can look into this question and make recommendations to the Congress on this matter by January of next year, so that we may have time to consider such recommendations prior to the effective date of the medicare plan on July 1, 1966.

#### IV. WE SHALL BEGIN TO ACT

May I say it is my intention, in conjunction with the senior Senator from New Mexico [Mr. ANDERSON] and the Senator from Alaska [Mr. GRUENING],

to introduce, in the next few days, a bill which will put the services of these specialists under plan A, if, as, and when voluntary agreements on this part are reached between hospitals and these specialists. This amendment will continue to be neutral, so far as the services of specialists are concerned, as to whether they are under such a plan or not. It will merely provide that if the specialists and the hospitals agree that the billing should be carried through the hospital, as is the case now in, I suppose, the majority of cases, then it would be included under plan A. Where such an agreement is not reached, then it could be included under plan B.

I hope the President will take account of this problem when he signs the bill, which I anticipate will be in a few days, so that the public may be apprised of the issue, and our colleagues in the Senate and House may take due notice. In any event, I do not accept the decision of the conference committee on this point as final. I know that the Senate members of the conference committee did their best to retain this feature. I have no criticism to make of the Senator from Louisiana [Mr. LONG], who ably and fearlessly represented us in that conference, nor have I of his colleagues. It is somewhat extraordinary that at the last minute the House conferees suddenly held a pistol to the head of the Senate conferees and demanded immediate and unconditional surrender on this point.

But such are the ways of the legislative process. I serve notice politely, but firmly, however, that this is only a temporary victory, and that we intend to continue the struggle. We believe that the facts and the situation as it develops will bear out the truth of that for which we are contending.

It is highly important, if this change is made, as I believe it should be, that it be cleared within the next year, before the plan goes into operation, because once the medical specialists separate themselves from plan A and make their individual charges to their patients and jack up their prices, they will be reluctant to surrender such a lucrative practice to hospital supervision and scrutiny. It would then be difficult to make any later changes in the act, because we would have built up a whole set of vested interests, deeply devoted to getting as high an income from the system as possible, even though it disrupted the administrative arrangements of the hospitals, and even though it resulted in greatly increased costs for the patients. Let us act soon.

Mr. President, I yield the floor.

[COMMITTEE PRINT]

COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
EIGHTY-NINTH CONGRESS  
FIRST SESSION

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SUMMARY OF MAJOR PROVISIONS OF  
H.R. 6675  
THE SOCIAL SECURITY AMENDMENTS OF 1965  
AS REFLECTED BY THE AGREEMENT REACHED  
BETWEEN  
THE HOUSE AND SENATE CONFEREES  
TOGETHER WITH  
ACTUARIAL DATA



JULY 24, 1965

Printed for the use of the Committee on Ways and Means

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**PRINCIPAL PROVISIONS OF H.R. 6675, AS AGREED TO BY  
HOUSE-SENATE CONFERENCE COMMITTEE**

**A. HEALTH INSURANCE AND MEDICAL CARE  
FOR THE AGED**

The bill would add a new title XVIII to the Social Security Act providing two related health insurance programs for persons 65 or over:

(1) A basic plan in part A providing protection against the costs of hospital and related care; and

(2) A voluntary supplementary plan in part B providing protection against the costs of physicians' services and other medical and health services to cover certain areas not covered by the basic plan.

The basic plan would be financed through a separate payroll tax and separate trust fund. The plan would be actuarially sound under conservative cost assumptions. Benefits for persons currently over 65 who are not insured under the social security and railroad retirement systems would be financed out of Federal general revenues.

Enrollment in the supplementary plan would be voluntary and would be financed by a small monthly premium (\$3 per month initially) paid by enrollees and an equal amount supplied by the Federal Government out of general revenues. The premiums for social security, railroad retirement, and civil service retirement beneficiaries who voluntarily enroll would be deducted from their monthly insurance benefits. Uninsured persons desiring the supplemental plan would make the periodic premium payments to the Government.

Both the basic plan and the supplementary plan would become effective July 1, 1966.

The bill would also add a new title XIX to the Social Security Act which would provide a more effective Kerr-Mills program for the aged and extend its provisions to additional needy persons. It would allow the States to combine within a single uniform category the differing medical provisions for the needy which currently are found in five titles of the Social Security Act. Medical vendor provisions in existing law would expire, however, on December 31, 1969.

A description of these three programs follows:

**1. BASIC PLAN—HOSPITAL INSURANCE**

*General description.*—Basic protection, financed through a separate payroll tax, would be provided by H.R. 6675 against the costs of inpatient hospital services, posthospital extended care services, post-hospital home health services, and outpatient hospital diagnostic services for social security and railroad retirement beneficiaries when they attain age 65. Benefits for railroad retirement eligibles would be financed by the railroad retirement tax if certain conditions are met. The same protection, financed from general revenues, would be

2 SUMMARY OF SOCIAL SECURITY AMENDMENTS OF 1965

provided under a special transitional provision for essentially all people who are now aged 65, or who will reach 65 in the near future, but who are not eligible for social security or railroad retirement benefits.

*Effective date.*—Benefits would first be effective on July 1, 1966, except for services in extended care facilities which would be effective on January 1, 1967.

*Eligibility for protection under the basic plan*

The proposed basic hospital insurance would be provided (on the basis of a new section in title II of the act) for people aged 65 and over who are entitled to monthly social security benefits or to annuities under the Railroad Retirement Act. In addition, people who are now aged 65 or will reach age 65 within the next few years and who are not insured under the social security or railroad programs would nevertheless be covered under the basic plan. In July 1966, when the program would become effective, about 17 million people aged 65 and over who are eligible for social security or railroad retirement benefits, and about 2 million aged who would be covered under a special transitional provision, would have the proposed basic hospital insurance.

Included under the special provision would be all uninsured people who have reached 65 before 1968. As to persons reaching 65 after 1967, they would have to have the quarters of coverage that are indicated in the following table:

*Quarters of coverage required for OASI cash benefits as compared to hospital insurance*

Year attains age 65	Men		Women	
	OASI	Hospital insurance	OASI	Hospital insurance
1967 or before.....	6-16	0	6-13	0
1968.....	17	6	14	6
1969.....	18	9	15	9
1970.....	19	12	16	12
1971.....	20	15	17	15
1972.....	21	18	18	(1)
1973.....	22	21	-----	-----
1974.....	23	(1)	-----	-----

<sup>1</sup> Same as OASI.

As indicated in the table, by 1974 the quarter coverage required for cash benefits and hospitalization insurance benefits will be the same and the "transitional" provision will phase out.

Together, these two groups comprise virtually the entire aged population. The major group excluded will be individuals afforded protection under the provisions of the Federal Employees' Health Benefits Act (FEHBA). Federal employees who retired before February 16, 1965 and who did not have coverage under FEHBA on that date would be covered under the transitional provision for the uninsured. Others excluded would be aliens (unless they have been admitted for permanent residence and have been residents of the United States for 5 years) and certain people convicted of subversive crimes.

Currently, 93 percent of the people reaching age 65 are eligible for benefits under social security or railroad retirement and this percentage will rise to close to 100 percent as the program matures.

*Benefits.*—The services for which payment would be made under the basic plan include—

(1) inpatient hospital services for up to 90 days in each spell of illness. The patient pays a deductible amount of \$40 for the first 60 days plus \$10 a day for 30 days in excess of 60 for each spell of illness; hospital services would include all those ordinarily furnished by a hospital to its inpatients; however, payment would not be made for private duty nursing or for the hospital services of physicians *except* services provided by medical or dental interns or residents in training under approved teaching programs. Inpatient psychiatric hospital service would also be included, but a lifetime limitation of 190 days would be imposed.

(2) posthospital extended care (in a facility having an arrangement with a hospital for the timely transfer of patients and for furnishing medical information about patients) after the patient is transferred from a hospital (after at least a 3-day stay) for up to 100 days in each spell of illness, but after the first 20 days of care patients will pay \$5 a day for the remaining days of extended care in a spell of illness;

(3) outpatient hospital diagnostic services, with the patient paying a \$20 deductible amount and a 20 percent coinsurance for each diagnostic study (that is, for diagnostic services furnished to him by the same hospital during a 20-day period); and

(4) posthospital home health services for up to 100 visits, after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness. Such a person must be in the care of a physician and under a plan established by a physician within 14 days of discharge calling for such services. These services would include intermittent nursing care, therapy, and the part-time services of a home health aide. The patient must be homebound, except that when certain equipment is used, the individual could be taken to a hospital or extended care facility or rehabilitation center to receive some of these covered home health services in order to get advantage of the necessary equipment.

Christian Scientists are treated separately so that they will have sanatorium services of up to 60 days with \$40 deductible plus 30 additional days at \$10 coinsurance per day, as hospital service; plus an additional 30 days in a Christian Science sanatorium as extended care facility services with the \$5 per day coinsurance feature.

No service would be 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 would be considered to begin when the individual enters a hospital or extended care facility 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 would be increased if necessary to keep pace with increases in hospital costs, but no such increase would be made before 1969. The coinsurance amounts for long-stay hospital and extended care facility benefits would be correspondingly adjusted.

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 basic plan would 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 would rest with the Secretary of Health, Education, and Welfare; however, some administration for individuals under the railroad retirement system is vested in the Railroad Retirement Board if certain financing conditions are met, as explained under the next heading. The Secretary would use appropriate State agencies and private organizations (nominated by providers of services) to assist in the administration of the program. Provision is made for the establishment of an Advisory Council which would advise the Secretary on policy matters in connection with administration.

*Financing.*—Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, would be earmarked in a separate hospital insurance trust fund established in the Treasury. The amount of earnings (earnings base) subject to the new payroll taxes would be the same as for purposes of financing social security cash benefits. The same contribution rate would apply equally to employers, employees, and self-employed persons and would be as follows:

	<i>Percent</i>
1966.....	0.35
1967-70.....	.50
1971-72.....	.50
1973-75.....	.55
1976-79.....	.60
1980-86.....	.70
1987 and after.....	.80

The taxable earnings base for the health insurance tax would be \$6,600 a year beginning in 1966.

The schedule of contribution rates is based on estimates of cost which assume that the earnings base will not be increased above \$6,600.

The benefits for railroad retirement eligibles will be financed by the railroad retirement tax, which is automatically increased by the operation of this bill, but the tax will be paid into the hospital insurance trust fund. During any period that the railroad retirement wage base is not equivalent to the hospital insurance earnings base, railroad workers and employers will be taxed as other workers and employers, and the benefits for railroad retirement eligibles will be administered by the Department of Health, Education, and Welfare.

The cost of providing basic hospital and related benefits to people who are not social security or railroad retirement beneficiaries would be paid from general funds of the Treasury.

## 2. VOLUNTARY SUPPLEMENTARY MEDICAL INSURANCE PLAN

*General description.*—A package of benefits supplementing those provided under the basic plan would be offered to all persons 65 and over on a voluntary basis. Individuals who enroll initially would pay premiums of \$3 a month (deducted, where possible, from social security or railroad retirement benefits). The Government would

match this premium with \$3 paid from general funds. Since the minimum increase in cash social security benefits under the bill for workers retiring or who retired at age 65 or older would be \$4 a month (\$6 a month for man and wife receiving benefits based on the same earnings record), the benefit increases would fully cover the amount of monthly premiums.

*Eligibility.*—The proposed supplementary insurance would be available to all people age 65 and over (whether or not they are social security or railroad retirement beneficiaries) who are residents of the United States and either are citizens or aliens admitted for permanent residence who have had 5 years of continuous residence. Any person entitled to the basic hospital insurance benefit would be eligible regardless of the preceding requirements.

*Enrollment.*—Persons who have reached age 65 before January 1, 1966, will have an opportunity to enroll in an enrollment period which begins on the first day of the second month after the month of enactment and ends March 31, 1966.

Persons attaining age 65 subsequent to December 31, 1965, will have enrollment periods of 7 months beginning 3 months before the month of attainment of age 65.

In the future, general enrollment periods will be from October to December 31 in each odd numbered year. The first such period will be October 1 to December 31, 1967.

No person may enroll more than 3 years after the close of the first enrollment period in which he could have enrolled.

There will be only one chance to reenroll for persons who are in the plan but drop out, and the reenrollment must occur within 3 years of termination of the previous enrollment.

Coverage may be terminated (1) by the individual filing notice during an enrollment period, or (2) by the Government for nonpayment of premiums.

A State would be able to provide the supplementary insurance benefits for its public assistance recipients who are receiving cash assistance if it chooses to do so.

*Effective date.*—Benefits will be effective beginning July 1, 1966.

*Benefits.*—The voluntary supplementary insurance plan would cover physicians' services, home health services, and numerous other medical and health services in and out of medical institutions.

There would be an annual deductible of \$50. Then the plan would cover 80 percent of the patient's bill (above the deductible) for the following services:

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

(2) Home health service (with no requirement of prior hospitalization) for up to 100 visits during each calendar year.

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

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

(5) Ambulance services.

(6) 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) which replace all or part of an internal body organ; braces and artificial legs, arms, eyes, etc.

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

*Administration by carriers: Basis for reimbursement.*—The Secretary of Health, Education, and Welfare would be required, to the extent possible, to contract with carriers to carry out the major administrative functions relating to the medical aspects of the voluntary supplementary plan such as determining rates of payments under the program and holding and disbursing funds for benefit payments. No contract is entered into by the Secretary unless he finds that the carrier will perform its obligations under the contract efficiently and effectively and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent. The contract must provide that the carrier take necessary action to see that where payments are on a cost basis (to institutional providers of service), the cost is a reasonable cost. Correspondingly, where payments are on a charge basis (to physicians or others furnishing noninstitutional services), the carrier must see that such charge will be reasonable and not higher than the charge applicable, for a comparable service and under comparable circumstances, to the other policyholders and subscribers of the carrier. Payment by the carrier for physicians' services will be made on the basis of a receipted bill, or on the basis of an assignment under the terms of which the reasonable charge will be the full charge for the service. In determining reasonable charges, the carriers would consider the customary charges for similar services generally made by the physician or other person or organization furnishing the covered services, and also the prevailing charges in the locality for similar services.

*Financing.*—Aged persons who elect to enroll in the supplemental plan would pay monthly premiums of \$3. Where the individual is currently receiving monthly social security, railroad retirement, or civil service retirement benefits, the premiums would be deducted from his benefits.

The Government would help finance the supplementary plan through a payment from general revenues in an equal amount of \$3 a month per enrollee. To provide an operating fund, if necessary, at the beginning of the supplementary plan, and to establish a contingency reserve, a Government appropriation would be available (on a repayable basis) equal to \$18 per aged person estimated to be eligible when the supplementary plan goes into effect.

The individual and Government contributions would be placed in a separate trust fund for the supplementary plan. All benefit and administrative expenses under the supplementary plan would be paid from this fund.

Premium rates for enrolled persons (and the matching Government contribution) would be increased from time to time if program costs rise, but not more often than once every 2 years. The premium rate for a person who enrolls after the first period when enrollment is open to him or who reenrolls after terminating his coverage would be increased by 10 percent for each full 12 months he stayed out of the program.

*Income tax provisions.*—The bill provides that the 3-percent floor on medical expense deductions, as well as the 1-percent limitation on medicines and drugs, is to apply to those age 65 or over in the same manner as it presently applies to those under age 65. This will have the effect of partially recovering the \$3 monthly premium paid from general funds of the Treasury from those aged persons who have taxable income, depending on the amount of their taxable income.

The bill also provides a special deduction, available to those who itemize their deductions, for one-half of any premiums paid for insurance of medical care expenses whether or not they have medical expenses in excess of the 3-percent floor, but this deduction may not exceed \$150 per year.

Another change limits the insurance premiums which may be taken into account to those which arise from coverage of medical care expenses and this must be indicated either on the insurance contract or on a separate statement supplied by the insurance company. Still a further change treats as current, qualifying medical care expenses (subject to limitations) the prepayment before age 65 of insurance for medical care after age 65. Also all maximum limitations on the medical expense deduction for all taxpayers are eliminated.

### 3. IMPROVEMENT AND EXTENSION OF KERR-MILLS MEDICAL ASSISTANCE PROGRAM

*Purpose and scope.*—In order to provide a more effective Kerr-Mills medical assistance program for the aged and to extend its provisions to additional needy persons, the bill would establish a single and separate medical care program to consolidate and expand the differing provisions for the needy which currently are found in five titles of the Social Security Act.

The new title (XIX) would extend the advantages of an expanded medical assistance program not only to the aged who are indigent but also to needy individuals in the dependent children, blind, and permanently and totally disabled programs and to persons who would qualify under those programs if in sufficient financial need. Other medically needy children may also be included.

Medical assistance under title XIX must be made available to all individuals receiving money payments under these programs and the medical care or services available to all such individuals must be equal in amount, duration, and scope. Effective July 1, 1967, all children under age 21 must be included who would, except for age, be dependent children under title IV.

Inclusion of the medically indigent aged not on the cash assistance rolls would be optional with the States but if they are included, comparable groups of blind, disabled, and parents and children must also be included if they need help in meeting necessary medical costs. Moreover, the amount and scope of benefits for the medically indigent could not be greater than that of recipients of cash assistance.

Under the bill, the current provisions of law in the various public assistance titles of the act providing vendor medical assistance would terminate upon the adoption of the new program by a State, but in no case later than December 31, 1969.

*Scope of medical assistance.*—Under existing law, the State must provide "some institutional and noninstitutional care" under the medical assistance for the aged program. There are no minimum benefit requirements at all under the other public assistance vendor medical programs.

The bill would require that by July 1, 1967, under the new program a State must provide inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services for individuals 21 years of age or older, and physician's services (whether furnished in the office, the patient's home, a hospital, a skilled nursing home or elsewhere), in order to receive Federal participation. Coverage of other items of medical service would be optional with the States.

*Eligibility.*—The program for the needy elderly would be revised to require that the States must provide a flexible income test which takes into account medical expenses and does not provide rigid income standards which arbitrarily deny assistance to people with large medical bills. In the same spirit the bill provides that no deductible, cost sharing, or similar charge may be imposed by the State as to hospitalization under its program and that any such charge on other medical services must be reasonably related to the recipient's income or resources. Also important is the requirement that elderly needy people on the State programs be provided assistance to meet the deductibles that are imposed by the new basic program of hospital insurance. Also where a portion of any deductible or cost sharing required by the voluntary supplementary program is met by a State program, the portion covered must be reasonably related to the individual's income and resources. No income can be imputed to an individual unless actually available; and the financial responsibility of an individual for an applicant may be taken into account only if the applicant is the individual's spouse or child who is under age 21 or blind or disabled.

*Increased Federal matching.*—The Federal share of medical assistance expenditures under the new program would be determined upon a uniform formula with no maximum on the amount of expenditures which would be subject to participation. There is no maximum under present law on similar amounts for the medical assistance for the aged program. The Federal share, which varies in relation to a State's per capita income, would be increased over current medical assistance for the aged matching so that States at the national average would receive 55 percent rather than 50 percent, and States at the lowest level could receive as much as 83 percent as contrasted with 80 percent under existing law.

In order to receive any additional Federal funds as a result of expenditures under the new program, the States would need to continue their own expenditures at their present rate. For a specified period, any State that did not reduce its own expenditures would be assured of at least a 5-percent increase in Federal participation in medical care expenditures. As to compensation and training of professional medical personnel used in the administration of the program, the bill would provide a 75-percent Federal share as compared with the 50-50 Federal-State sharing for other administrative expenses.

*Administration.*—The bill provides that any State agency may be designated to administer the program, as long as the determination of eligibility is accomplished by the agency administering the old-age assistance program.

*Effective date.*—January 1, 1966.

**B. CHILD HEALTH AND WELFARE AMENDMENTS**

*Maternal and child health, crippled children, and child welfare.*—The bill would increase the amount authorized for maternal and child health services and crippled children’s services over current authorizations by \$5 million for fiscal year 1966 and by \$10 million in each succeeding fiscal year, as follows:

Fiscal year	Existing law	Under bill
1966.....	\$40,000,000	\$45,000,000
1967.....	40,000,000	50,000,000
1968.....	45,000,000	55,000,000
1969.....	45,000,000	55,000,000
1970 and after.....	50,000,000	60,000,000

The bill has made a similar increase in the authorization for the child welfare program.

The increases would assist the States, in these programs, in moving toward the goal of extending services with a view of making them available to children in all parts of the State by July 1, 1975.

*Crippled children training personnel.*—The bill would also authorize \$5 million for the fiscal year 1967, \$10 million for fiscal 1968, and \$17.5 million for each succeeding fiscal year to be for grants to institutions of higher learning for training professional personnel for health and related care of crippled children, particularly mentally retarded children and children with multiple handicaps.

*Health care for needy children.*—A new provision is added authorizing the Secretary of Health, Education, and Welfare to carry out a 5-year program of special project grants to provide comprehensive health care and services for children of school age, or for preschool children, particularly in areas with concentrations of low-income families. The grants would be to State health agencies, to the State agencies administering the crippled children’s program, to any school of medicine (with appropriate participation by a school of dentistry), and any teaching hospital affiliated with such school, to pay not to exceed 75 percent of the cost of the project. Projects would have to provide screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, including dental services, with treatment, correction of defects, and aftercare limited to children in low-income families.

An appropriation of \$15 million would be authorized for the fiscal year ending June 30, 1966; \$35 million for the fiscal year ending June 30, 1967; \$40 million for the fiscal year ending June 30, 1968; \$45 million for the fiscal year ending June 30, 1969; and \$50 million for the fiscal year ending June 30, 1970.

The bill would further authorize an appropriation of \$500,000 each for the fiscal years ending June 30, 1966, and June 30, 1967, for grants for studies of resources, methods and practices for prevention and diagnosis of emotional illness in children and for treatment and rehabilitation of emotionally ill children.

*Mental retardation planning.*—Title XVII of the act would be amended to authorize grants totaling \$2,750,000 for each of 2 fiscal years—the fiscal year ending June 30, 1966, and fiscal year ending

June 30, 1967. The funds would be available during the 3-year period July 1, 1965, to June 30, 1968. The grants would be for the purpose of assisting States to implement and followup on plans and other steps to combat mental retardation authorized under this title of the Social Security Act.

## C. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS

### 1. BENEFIT CHANGES

#### (a) *7-percent across-the-board increase in old-age, survivors, and disability insurance benefits*

The bill provides a 7-percent across-the-board benefit increase, effective retroactively beginning with benefits for January 1965, for the 20 million social security beneficiaries on the rolls (with a guaranteed \$4 a month minimum increase for retired workers who are age 65 or over in the first month for which they are paid the increased benefit).

Monthly benefits for workers who retire at or after 65 would be increased to a new minimum of \$44 (now \$40) and to a new maximum of \$135.90 (now \$127). In the future, creditable earnings under the increase in the contribution and benefit base to \$6,600 a year (now \$4,800) would make possible a maximum benefit of \$168.

The maximum amount of benefits payable to a family on the basis of a single earnings record would be related to the worker's average monthly earnings at all earnings levels. Under present law, there is a \$254 limit on family benefits which operates over a wide range of average monthly earnings. Under the bill the highest family maximum eventually would be \$368.

#### (b) *Payment of child's insurance benefits to children attending school or college after attainment of age 18 and up to age 22*

H.R. 6675 includes the provision adopted by both House and Senate last year which would continue to pay a child's insurance benefit until the child reaches age 22, provided the child is attending a public or an accredited school, including a vocational school or a college, as a full-time student after he reaches age 18. Children of deceased, retired, or disabled workers would be included. No mother's or wife's benefits would be payable if the only child in the mother's care is one who has attained age 18 but is in school.

This provision will be effective January 1, 1965. It is estimated that 295,000 children will be eligible for benefits for September 1965, when the school year begins.

#### (c) *Benefits for widows at age 60*

The bill would provide the option to widows of receiving benefits beginning at age 60, with the benefits payable to those who claim them before age 62 being actuarially reduced to take account of the longer period over which they will be paid. Under present law, full widow's benefits and actuarially reduced worker's and wife's benefits are payable at age 62.

This provision, adopted by both Houses of Congress last year, would be effective for the second month after the month of enactment. It is estimated that 185,000 widows will claim benefits during the first year of operation under this provision.

*(d) Amendment of disability program*

*(i) Definition of disability.*—The bill would eliminate the present requirement that a worker's disability must be expected to be of long continued and indefinite duration, and instead provide that an insured worker would be eligible for disability benefits if he has been under a disability which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 calendar months. Benefits payable by reason of this change would be paid for the second month following the month of enactment. An estimated 60,000 people—disabled workers and their dependents—will become immediately eligible for benefits as a result of this change.

*(ii) Disability benefits offset provision.*—The bill provides that the social security disability benefit for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings under social security prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in national average earnings levels. The offset provision will be applicable with respect to benefits payable for months after December 1965 on the basis of disabilities commencing after June 1, 1965.

*(iii) Blindness as a disabling factor.*—

*(a) Young workers who are blind and disabled:* Establishes alternative insured status requirement for workers disabled before age 31 of one-half of the quarters elapsing after age 21 up to the point of disability with a minimum of six quarters. [For insured status under existing law, an individual (1) must have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability begins and (2) must be fully insured.] To qualify for this alternative the worker would have to meet the statutory definition of blindness for the disability "freeze." (Central visual acuity of 5/200 or less in the better eye with use of correcting lens. An eye in which the visual field is reduced to 5° or less concentric contraction shall be considered as having a visual acuity of 5/200 or less.) Worker will, however, have to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.

*(b) Older workers who are blind and disabled:* Provides that those individuals aged 55 or over who meet the statutory definition of blindness in the disability "freeze" could qualify for cash benefits on the basis of their inability to engage in their past occupation or occupations. Their benefits would not be paid, however, if they were actually engaging in any substantial gainful activity.

*(iv) Rehabilitation services.*—Reimbursement from the social security trust funds to State vocational rehabilitation agencies would be provided for the cost of rehabilitation services furnished to individuals who are entitled to disability insurance benefits or to disabled child's benefits. The total amount of the funds that could be made available from the trust funds for purposes of reimbursing State agencies for such services could not, in any year, exceed 1 percent of the social security disability benefits paid in the previous year.

(v) *Entitlement to disability benefits after entitlement to benefits payable on account of age.*—Under the bill, a person who becomes entitled before age 65 to a benefit payable on account of old age could later, before he reaches age 65, become entitled to disability insurance benefits.

(vi) *Allocation of contribution income between OASI and DI trust funds.*—Under the bill, an additional 0.2 percent of taxable wages and 0.15 percent of taxable self-employment income would be allocated to the disability insurance trust fund, bringing the total allocation to 0.70 percent and 0.525 percent, respectively, beginning in 1966.

(e) *Benefits to certain persons at age 72 or over*

A provision approved by the House and Senate last year, which would liberalize the eligibility requirements by providing a basic benefit of \$35 to certain elderly persons with a minimum of three quarters of coverage acquired at any time since the beginning of the program in 1937 was adopted. To accomplish this, a new concept of "transitional insured status" is provided. Present law requires a minimum of six quarters of coverage in employment or self-employment.

(i) *Men and women workers.*—Under the "transitional insured status" provision a worker could qualify for benefits at age 72 if he had one quarter of coverage for each year that elapsed after 1950 and up to the year in which he reached age 65 (62 for women), with a minimum of three quarters. Those quarters could have been acquired at any time since the inception of the program in 1937. Wives of workers who qualify under this provision would be eligible for benefits if they reached age 72 before 1969. For workers who reached age 65 (62 for women) after 1956, the quarters of coverage requirement merges with the present minimum requirement of six quarters.

The following table illustrates the operation of the "transitional insured status" provision for workers.

*Transitional insured status requirements with respect to workers benefits*

Men		Women	
Age (in 1965)	Quarters of coverage required	Age (in 1965)	Quarters of coverage required
76 or over .....	3.	73 or over .....	3.
75 .....	4.	72 .....	4.
74 .....	5.	71 <sup>1</sup> .....	5.
73 or younger .....	6 or more.	70 or younger .....	6 or more.

<sup>1</sup> Benefits will not be payable, however, until age 72.

(ii) *Widows.*—Any widow who attains age 71 in or before 1965, if her husband died or reached age 65 in 1954 or earlier, could get a widow's benefit when she is aged 72 or over if her husband had at least three quarters of coverage. Present law requires six quarters. If the husband of such a widow died or reached 65 in 1955, the requirement would be four quarters. If he died or reached 65 in 1956, the requirement would be five quarters. If he died or reached 65 in 1957 or later, the minimum requirement would be six quarters or more, the same as present law.

For widows reaching age 72 in 1967 and 1968, there is a "grading-in" of the quarters of coverage requirement; which would be four or five quarters of coverage, respectively. Widows reaching age 72 in 1969 or after would be subject to the requirements of existing law of six or more quarters of coverage.

The table below sets forth the requirements as to widows:

*Transitional insured status requirements with respect to widow's benefits*

Year of husband's death (or attainment of age 65, if earlier)	Present quarters required	Proposed quarters required for widow attaining age 72 in—		
		1966 or before	1967	1968
1954 or before.....	6.....	3.....	4.....	5.....
1955.....	6.....	4.....	4.....	5.....
1956.....	6.....	5.....	5.....	5.....
1957 or after.....	6 or more.....	6 or more.....	6 or more.....	6 or more.....

(iii) *Basic benefits.*—Men and women workers who would be eligible under the above-described provisions for workers would receive a basic benefit of \$35 a month. A wife who is aged 72 or over (and who attains that age before 1969) would receive one-half of this amount, \$17.50. No other dependents' basic benefits would be provided under these provisions.

Widows would receive \$35 a month under the above-described provision.

These provisions would become effective for the second month after the month of enactment, at which time an estimated 355,000 people would be able to start receiving benefits.

(f) *Retirement test*

The bill would liberalize the retirement test provision in present law under which benefits are decreased in relation to a beneficiary's earnings over \$1,200 in a year. Under existing law, the first \$1,200 a year is fully exempted, and there is a \$1 reduction in benefits for each \$2 of annual earnings between \$1,200 and \$1,700 and for each \$1 of earnings thereafter. Under the bill, the first \$1,500 a year would be fully exempted and there would be a \$1 reduction in benefits for each \$2 of earnings between \$1,500 and \$2,700 and for each \$1 of earnings thereafter. In addition, the amount of earnings a beneficiary may have in a month and get full benefits for that month regardless of his annual earnings would be raised from \$100 to \$125. These changes are effective for taxable years ending after 1965.

Also exempted are certain royalties received in or after the year in which a person reaches age 65, from copyrights and patents obtained before age 65, from being counted as earnings for purposes of the retirement test, effective for taxable years beginning after 1964.

For 1966, an estimated 750,000 persons—workers and dependents—either will receive more benefits under these provisions than they would receive under present law, or will receive some benefits where they would receive no benefits under present law.

(g) *Wife's and widow's benefits for divorced women*

The bill would authorize payments of wife's or widow's benefits to the divorced wife of a retired, deceased, or disabled worker if she

had been married to the worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by a court to make) a substantial contribution to her support when he became entitled to benefits, became disabled, or died. H.R. 6675 would also provide that a wife's benefits would not terminate when the woman and her husband are divorced if the marriage has been in effect for 20 years. Provision is also made for the reestablishment of benefit rights for a divorced wife, a widow, or a surviving divorced wife who remarries and the subsequent marriage ends in divorce, annulment, or in the death of the husband. These changes are effective for the second month following the month of enactment.

*(h) Continuation of widow's and widower's insurance benefits after remarriage*

Under present law, a widow's and widower's benefits based on a deceased worker's social security earnings record generally stop when the survivor remarries. The bill provides that benefits would be payable to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit would be equal to 50 percent of the primary insurance amount of the deceased spouse (if that amount is higher than her wife's benefit as a result of the remarriage) rather than 82½ percent of that amount, which is payable to widows and widowers who are not remarried.

*(i) Adoption of child by retired worker*

The provisions relating to the payment of benefits to children who are adopted by old-age insurance beneficiaries would be changed to require that, where the child is adopted after the worker becomes entitled to an old-age benefit, (1) the child must be living with the worker (or adoption proceedings have begun) in or before the month when application for old-age benefits is filed; (2) the child must be receiving one-half of his support for the entire year before the worker's entitlement; and (3) the adoption must be completed within 2 years after the worker's entitlement.

*(j) Definition of child*

(i) A child would be paid benefits based on his father's earnings without regard to whether he has the status of a child under State inheritance laws if the father was supporting the child or had a legal obligation to do so. Under present law, whether a child meets the definition for the purpose of getting child's insurance benefits based on his father's earnings depends on the laws applied in determining the devolution of intestate personal property in the State in which the worker is domiciled. This provision would be effective for the second month after the month of enactment. It is estimated that 20,000 individuals (children and their mothers) will become immediately eligible for benefits under this provision.

(ii) Also an exception is provided so that child's benefits would not terminate if child is adopted by his brother or sister after death of worker. Under present law benefits terminate unless he is adopted by his stepparent, grandparent, uncle, or aunt after death of worker on whose earnings record he is getting benefits.

## 2. COVERAGE CHANGES

The following coverage provisions were included:

(a) *Physicians and interns*

Self-employed physicians would be covered for taxable years ending on or after December 31, 1965. Interns would be covered beginning on January 1, 1966.

(b) *Farmers*

Provisions of existing law with respect to the coverage of farmers would be amended to provide that farm operators whose annual gross earnings are \$2,400 or less (instead of \$1,800 or less as in existing law) can report either their actual net earnings or 66 $\frac{2}{3}$  percent (as in present law) of their gross earnings. Farmers whose annual gross earnings are over \$2,400 would report their actual net earnings if over \$1,600, but if actual net earnings are less than \$1,600, they may instead report \$1,600. (Present law provides that farmers whose annual gross earnings are over \$1,800 report their actual net earnings if over \$1,200, but if actual net earnings are less than \$1,200, they may report \$1,200.)

(c) *Cash tips*

Cash tips received after 1965 by an employee in the course of his employment will be covered as wages for social security and income-tax withholding purposes, except that employers will not be required to pay the social security employer tax on the tips. However, for tips to be subject to withholding for either income tax or social security tax purposes, the tips must be paid in cash and must amount to more than \$20 a month. The tips still represent compensation even though less than \$20 a month or even though paid in other than cash, but would not, under either of these conditions, be subject to withholding for income tax or social security tax purposes.

The employee will be required to give his employer a written report of his tips within 10 days after the end of the month in which the tips are received (or at such other times as is provided by regulations); to the extent that unpaid wages due an employee and in the possession of the employer are insufficient to pay the employee social security tax due on the tips, the employee will be permitted (but not required) to make available to the employer sufficient funds to pay the employee social security tax. To the extent that the employer does not have sufficient wage payments to offset the required withholding, he notifies the employee and the employee reports this amount to the Government directly.

The employer will be required to withhold the employee social security tax only on tips reported to him within the specified time and for which he has sufficient funds of the employee out of which to pay the tax. He will be liable for withholding income tax on only those tips that are reported to him within 10 days after the end of the month in which the tips were received, and then only to the extent that he can collect the tax (at or after the time the tips are reported to him and before the close of the calendar year in which the tips were received) from unpaid wages (not including tips), or from funds turned over to him for that purpose remaining after an amount equal to the amount due for the social security tax has been subtracted.

As indicated, these amendments apply with respect to tips received by employees in 1966 and subsequent years.

*(d) State and local government employees*

Several changes would facilitate coverage in this area:

(i) Added Alaska as a State which can provide coverage for State and local employees under the split-system provision; also validated the past coverage of certain school districts in Alaska.

(ii) Reopened until July 1, 1967, a provision of law permitting the State of Maine to treat teaching and nonteaching employees actually in the same retirement system as though they were in separate retirement systems for social security coverage purposes.

(iii) Authorized the State of Iowa and the State of North Dakota to modify their coverage agreements to exclude from social security coverage certain service performed in any calendar quarter in the employ of a school, college, or university by a student if the remuneration for such service is less than \$50.

(iv) Authorized another opportunity, through 1966, for the election of coverage by State and local government retirement system members who originally did not choose coverage under the divided retirement system provision, under which current employees have a choice of coverage.

(v) Authorized California to modify its coverage agreement to extend coverage to certain hospital employees whose positions were removed from a State or local government retirement system. The State will have until the end of the sixth month after the month of enactment to take action under this provision.

*(e) Exemption of certain religious sects*

Members of certain religious sects who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of such sects could be exempt from the social security tax on self-employment income upon application accompanied by a waiver of benefits.

*(f) Nonprofit organizations*

Nonprofit organizations, and their employees who concur, could elect social security coverage effective retroactively for a period up to 5 years (rather than 1 year, as under present law). Also, wage credit could be given for the earnings of certain employees of nonprofit organizations who were erroneously reported for social security purposes.

*(g) District of Columbia employees*

The bill provides for social security coverage of certain employees of the District of Columbia (primarily substitute schoolteachers).

*(h) Ministers*

Social security credit could be obtained for the earnings of certain ministers which were reported but which cannot be credited under present law. Also the bill reopened until April 15, 1966, the period (which expired on April 15, 1965) during which ministers who have been in the ministry for at least 2 years may file waiver certificates electing social security coverage.

## 3. MISCELLANEOUS

*(a) Filing of proof*

The period of filing of proof of support for dependent husband's, widower's, and parent's benefits, and for filing application for lump-sum death payments where good cause exists for failure to file within the initial 2-year period, is extended indefinitely.

(b) *Automatic recomputation of benefits*

Benefits of people on the rolls would be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year and that would increase his benefit amount. Under existing law there are various requirements that must be met in order to have benefits recomputed, including filing of an application and earnings of over \$1,200 a year after entitlement.

(c) *Military wage credits*

The present provision authorizing reimbursement of the trust funds out of general revenue for gratuitous social security wage credits for servicemen is revised so that such payments will be spread uniformly over the next 50 years.

(d) *Extension of life of applications*

The bill liberalizes the requirement in existing law that an application for monthly insurance benefits be valid for only 3 months after the date of filing, and for disability benefits 3 months before the beginning of the waiting period. The bill would allow an application to remain valid up until the time the Secretary makes a final decision on the application.

(e) *Authorization for one spouse to cash a joint check*

The Secretary would be authorized to make a temporary overpayment so as to permit a surviving spouse to cash a benefit check issued jointly to a husband and wife if one of them dies before the check is negotiated; any overpayment resulting from the cashing of the joint check would be recovered.

(f) *Attorney's fees*

A provision is incorporated which would permit a court that renders a judgment favorable to a claimant in an action arising under the social security program to set a reasonable fee (not in excess of 25 percent of past due benefits which become payable by reason of the judgment) for an attorney who successfully represented the claimant. The Secretary would be permitted to certify payment of the fee to the attorney out of such past due benefits.

(g) *Waiver of 1-year marriage requirement*

The bill provides an exception to the 1-year duration requirement as to social security benefits for any widow, wife, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child.

(h) *Social security records*

The Social Security Administration is required to furnish the address to help locate a deserting parent or husband to a welfare agency or court on condition that information be transmitted through a welfare agency, that an actual public assistance case be involved and a court order for support have been issued, and that all non-disclosure provisions be complied with.

## 4. FINANCING OF SOCIAL SECURITY PROGRAMS

*Earnings base.*—The bill provides an earnings base of \$6,600 effective in 1966. The earnings base in existing law is \$4,800.

The following are the tax rates for the old-age, survivors, and disability insurance system:

## OASDI TAX RATES

[In percent]

Years	Employer- employee rate (combined)	Self-em- ployed rate
1966.....	7.7	5.8
1967-68.....	7.8	5.9
1969-72.....	8.8	6.6
1973 and after.....	9.7	7.0

The allocation to the disability insurance trust fund is set at 0.70 percent of taxable wages and 0.525 of self-employment income. The figures under existing law are 0.50 and 0.375 percent, respectively.

5. NUMBER OF PEOPLE IMMEDIATELY AFFECTED BY OASDI CHANGES  
IN FIRST FULL YEAR, 1966*Provision*

7-percent benefit increase (\$4 minimum in primary benefits).....	20,000,000
Reduced benefits for widows at age 60.....	185,000
Benefits for people aged 72 and over with limited periods in covered work.....	355,000
Improvements in benefits for children:	
Benefits for children to age 22 if in school.....	295,000
Broadened definition of "child".....	20,000
Modifications in disability provisions:	
Change in definition.....	60,000
Liberalized requirements for benefits for the blind.....	7,000
Modification of earnings test.....	1,750,000

<sup>1</sup> Number affected in 1966; modification does not become effective until then.

## D. PUBLIC ASSISTANCE AMENDMENTS

## 1. INCREASED ASSISTANCE PAYMENTS

The Federal share of payments under all State public assistance programs is increased a little more than an average of \$2.50 a month for the needy aged, blind, and disabled and an average of about \$1.25 for needy children, effective January 1, 1966. This is brought about by revising the matching formula for the needy aged, blind, and disabled (and for the adult categories in title XVI) to provide a Federal share of \$31 out of the first \$37 (now twenty-nine thirty-fifths (29/35) of the first \$35) up to a maximum of \$75 (now \$70) per month per individual on an average basis. The matching formula is revised for aid to families with dependent children so as to provide a Federal share of five-sixths (5/6) of the first \$18 (now fourteen-seventeenths (14/17) of the first \$17) up to a maximum of \$32 (now \$30). A provision is included so that States will not receive additional Federal funds except to the extent they pass them on to individual recipients.

Effective January 1, 1966. Cost: About \$150 million a year.

## 2. TUBERCULAR AND MENTAL PATIENTS

The exclusion was removed from Federal matching in old-age assistance and medical assistance for the aged programs (and for combined program, title XVI) as to aged individuals who are patients in institutions for tuberculosis or mental diseases or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional Federal money. Provides that States will receive not more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs. Also removes restrictions as to Federal matching for needy blind and disabled who are tubercular or psychotic and are in general medical institutions. Effective January 1, 1966. Cost about \$75 million a year.

## 3. AID TO FAMILIES WITH DEPENDENT CHILDREN IN SCHOOL

A provision, optional with the States, allows them to continue making payments to dependent children who have attained age 18 but continue in school up to age 21. Present law calls for regular attendance at a high school or vocational school. The bill would extend this to attendance at a school, college, or university.

## 4. PROTECTIVE PAYMENTS TO THIRD PERSONS

The bill includes a provision for protective payments to third persons on behalf of recipients of old-age assistance, aid to the blind, aid to the permanently and totally disabled, and those on combined adult program (title XVI), unable to manage their money because of physical or mental incapacity. Effective January 1, 1966.

## 5. INCOME EXEMPTIONS UNDER PUBLIC ASSISTANCE

*(a) Old-age assistance*

The earnings exemption under the old-age assistance program (and aged in combined program) is increased so that a State may, at its option, exempt the first \$20 (now \$10) and one-half of the next \$60 (now \$40) of a recipient's monthly earnings. Effective October 1, 1965. Cost: About \$1 million first year.

*(b) Aid to families with dependent children*

The bill allows the State, at its option, to disregard up to \$150 per family per month of earned income of any dependent children under the age of 18 in the same home, but no child could have earnings of more than \$50 per month exempted. Effective July 1, 1965.

*(c) Aid to the permanently and totally disabled*

An exemption of earnings is added so that, at the option of the State, the first \$20 per month of earnings of recipients and one-half of the next \$60 could be exempted. In addition, any additional income and resources could be exempted as part of an approved plan to achieve self-support during the time the recipient was undergoing vocational rehabilitation. Effective October 1, 1965.

*(d) Income exemption for all public assistance programs*

Allowed States, at their option, to disregard not more than \$5 per month per recipient of any income in all five public assistance programs. Effective October 1, 1965.

*(e) Old-age, survivors, and disability insurance (retroactive increase)*

States would be allowed to disregard so much of the OASDI benefit increase (including the children in school after 18 modification) as is attributable to its retroactive effective date.

*(f) Economic Opportunity Act earning exemption*

H.R. 6675 also provides a grace period for action by States that have not had regular legislative sessions, whose public assistance statutes now prevent them from disregarding earnings of recipients received under titles I and II of the Economic Opportunity Act.

*(g) Income exempt under another assistance program*

A provision is added so that any amount of income which is disregarded in determining eligibility for a person under one of the public assistance programs shall not be considered in determining the eligibility of another individual under any other public assistance program.

6. UNIFORM MATCHING

The bill permits a State that has a medical assistance program under title XIX to claim Federal sharing in total expenditures for money payments under other titles, under the same formula used for determining the Federal share for medical assistance under title XIX.

7. DEFINITION OF MEDICAL ASSISTANCE FOR AGED

The definition of medical assistance for the aged is modified so as to allow Federal sharing as to old-age assistance recipients for the month they are admitted to or discharged from a medical institution.

8. JUDICIAL REVIEW OF STATE PLAN DENIALS

The bill provides for judicial review of the denial of approval by the Secretary of Health, Education, and Welfare of State public assistance plans and of his action under such programs for noncompliance with State plan conditions in the Federal law.

**E. ACTUARIAL DATA RELATING TO BILL**

TABLE 1.—*Summary of 1st-year costs under H.R. 6675*

[In millions of dollars]

	Trust funds			General Treasury		
	House	Senate	Conference	House	Senate	Conference
Health care programs:						
Basic hospital insurance.....	2,190	2,403	2,210	275	295	290
Voluntary supplementary medical.....	1,600	1,600	600	600	600	600
MAA liberalization.....				200	200	200
Total.....	2,790	3,003	2,810	1,075	1,095	1,090
OASDI:						
7 percent benefit increase.....	1,430	1,470	1,470			
Child school benefit.....	195	195	195			
Broader definition of child.....		10	10			
Child disabled at 18 to 21.....		10				
Blind disability.....		120	5			
Reduced benefits at 60.....	165	590	165			
Transitional benefits at 72.....	140	140	140			
Disability definition.....	105	40	40			
Retirement test.....	65	590	295			
Total.....	2,100	3,165	2,320			
Public assistance and child health:						
Increase in formula.....				150	150	150
TB and mental exclusion.....				75	75	75
Coverage of MA.....					50	40
Maternal and child health.....				60	61	61
Miscellaneous.....				6	13	13
Total.....				291	349	339
Income tax changes.....				-82		-97
Total, all programs.....	4,890	6,168	5,130	1,284	1,444	1,332
Grand total, House.....			6,174			
Grand total, Senate.....			7,612			
Grand total, Conference.....			6,482			

<sup>1</sup> Contributions of participants.

TABLE 2

OASDI TAX RATES

[In percent]

Years	Employer-employee rate			Self-employed rate, conference
	House	Senate	Conference	
1966.....	8.0	7.7	7.7	5.8
1967-68.....	8.0	7.7	7.8	5.9
1969-72.....	8.8	9.0	8.8	6.6
1973 and after.....	9.6	9.9	9.7	7.0

HI TAX RATES

1966.....	0.7	0.65	0.7	0.35
1967-70.....	1.0	1.0	1.0	.50
1971-72.....	1.0	1.1	1.0	.50
1973-75.....	1.1	1.3	1.1	.55
1976-79.....	1.2	1.4	1.2	.60
1980-86.....	1.4	1.6	1.4	.70
1987 and after.....	1.6	1.7	1.6	.80

22 SUMMARY OF SOCIAL SECURITY AMENDMENTS OF 1965

TABLE 2—Continued  
 COMBINED OASDI AND HI TAX RATES AND TAXES UNDER  
 CONFERENCE AGREEMENT

Years	Employer-employee		Self-employed	
	Rate	Maximum amount	Rate	Maximum amount
1966.....	8.4	\$554.40	6.15	\$405.90
1967-68.....	8.8	580.80	6.40	422.40
1969-72.....	9.8	646.80	7.10	468.60
1973-75.....	10.8	712.80	7.55	498.30
1976-79.....	10.9	719.40	7.60	501.60
1980-86.....	11.1	732.60	7.70	508.20
1987 and after.....	11.3	745.80	7.80	514.80

TABLE 3.—Changes in actuarial balance of OASDI system, expressed in terms of estimated level-cost as percentage of taxable payroll

Item	OASI	DI	Total
Actuarial balance of previous system.....	+0.14	-0.13	+0.01
Earnings base increase to \$6,600.....	+ .51	+ .04	+ .55
Revised contribution schedule.....	+ .09	+ .20	+ .29
Extensions of coverage.....	+ .01		+ .01
7 percent benefit increase.....	- .59	- .05	- .64
Earnings test liberalization.....	- .14		- .14
Child's benefits to age 22 if in school.....	- .10	- .02	- .12
Reduced widow's benefits at age 60.....			
Disability definition revision.....		- .01	- .01
Transitional insured status at age 72.....	- .01		- .01
Broader definition of "child".....	- .01		- .01
Total effect of changes.....	- .24	+ .16	- .08
Actuarial balance of bill.....	- .10	+ .03	- .07

TABLE 4.—Actuarial balance of HI system, expressed in terms of estimated level-cost as percentage of taxable payroll

	Level-cost (percent)
Hospital and extended care facility benefits.....	1.19
Outpatient diagnostic benefits.....	.01
Home health service benefits.....	.03
Total benefits.....	1.23
Contributions.....	1.23
Actuarial balance.....	0.00

Prepared by Robert J. Myers, Chief Actuary, Social Security Administration, Department of Health, Education, and Welfare, July 21, 1965.





Public Law 89-97  
89th Congress, H. R. 6675  
July 30, 1965

**An Act**

79 STAT. 286.

To provide a hospital insurance program for the aged under the Social Security Act with a supplementary medical benefits program and an expanded program of medical assistance, to increase benefits under the Old-Age, Survivors, and Disability Insurance System, to improve the Federal-State public assistance programs, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1965".

Social Security  
Amendments of  
1965.

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**TITLE I—HEALTH INSURANCE FOR THE AGED AND  
MEDICAL ASSISTANCE**

**SHORT TITLE**

SEC. 100. This title may be cited as the "Health Insurance for the Aged Act".

Health Insurance for the Aged Act.

**PART 1—HEALTH INSURANCE BENEFITS FOR THE AGED**

**ENTITLEMENT TO HOSPITAL INSURANCE BENEFITS**

SEC. 101. Title II of the Social Security Act is amended by adding at the end thereof the following new section:

53 Stat. 1362.  
42 USC 401-425.

**"ENTITLEMENT TO HOSPITAL INSURANCE BENEFITS**

"SEC. 226. (a) Every individual who—

"(1) has attained the age of 65, and

"(2) is entitled to monthly insurance benefits under section 202 or is a qualified railroad retirement beneficiary,

42 USC 402.

shall be entitled to hospital insurance benefits under part A of title XVIII for each month for which he meets the condition specified in paragraph (2), beginning with the first month after June 1966 for which he meets the conditions specified in paragraphs (1) and (2).

"(b) For purposes of subsection (a)—

"(1) entitlement of an individual to hospital insurance benefits for a month shall consist of entitlement to have payment made under, and subject to the limitations in, part A of title XVIII on his behalf for inpatient hospital services, post-hospital extended care services, post-hospital home health services, and outpatient hospital diagnostic services (as such terms are defined in part C of title XVIII) furnished him in the United States (or outside the United States in the case of inpatient hospital services furnished under the conditions described in section 1814(f)) during such month; except that (A) no such payment may be made for post-hospital extended care services furnished before January 1967, and (B) no such payment may be made for post-hospital extended care services or post-hospital home health services unless the discharge from the hospital required to qualify such services for payment under part A of title XVIII occurred after June 30, 1966, or on or after the first day of the month in which he attains age 65, whichever is later; and

"(2) an individual shall be deemed entitled to monthly insurance benefits under section 202, or to be a qualified railroad retirement beneficiary, for the month in which he died if he would have been entitled to such benefits, or would have been a qualified railroad retirement beneficiary, for such month had he died in the next month.

"(c) For purposes of this section, the term 'qualified railroad retirement beneficiary' means an individual whose name has been certified to the Secretary by the Railroad Retirement Board under section 21 of the Railroad Retirement Act of 1937. An individual shall cease to be a qualified railroad retirement beneficiary at the close of the month preceding the month which is certified by the

Post, pp. 335,  
340.

Post, pp. 335,  
340.

Railroad Retirement Board as the month in which he ceased to meet the requirements of section 21 of the Railroad Retirement Act of 1937.

“(d) For entitlement to hospital insurance benefits in the case of certain uninsured individuals, see section 103 of the Social Security Amendments of 1965.”

HOSPITAL INSURANCE BENEFITS AND SUPPLEMENTARY MEDICAL  
INSURANCE BENEFITS

77 Stat. 275.  
42 USC 1305.

SEC. 102. (a) The Social Security Act is amended by adding after title XVII the following new title:

“TITLE XVIII—HEALTH INSURANCE FOR THE AGED

“PROHIBITION AGAINST ANY FEDERAL INTERFERENCE

“SEC. 1801. Nothing in this title shall be construed to authorize any Federal officer or employee to exercise any supervision or control over the practice of medicine or the manner in which medical services are provided, or over the selection, tenure, or compensation of any officer or employee of any institution, agency, or person providing health services; or to exercise any supervision or control over the administration or operation of any such institution, agency, or person.

“FREE CHOICE BY PATIENT GUARANTEED

“SEC. 1802. Any individual entitled to insurance benefits under this title may obtain health services from any institution, agency, or person qualified to participate under this title if such institution, agency, or person undertakes to provide him such services.

“OPTION TO INDIVIDUALS TO OBTAIN OTHER HEALTH INSURANCE  
PROTECTION

“SEC. 1803. Nothing contained in this title shall be construed to preclude any State from providing, or any individual from purchasing or otherwise securing, protection against the cost of any health services.

“PART A—HOSPITAL INSURANCE BENEFITS FOR THE AGED

“DESCRIPTION OF PROGRAM

Ante, p. 290.

42 USC 401-425.

“SEC. 1811. The insurance program for which entitlement is established by section 226 provides basic protection against the costs of hospital and related post-hospital services in accordance with this part for individuals who are age 65 or over and are entitled to retirement benefits under title II of this Act or under the railroad retirement system.

“SCOPE OF BENEFITS

“SEC. 1812. (a) The benefits provided to an individual by the insurance program under this part shall consist of entitlement to have payment made on his behalf (subject to the provisions of this part) for—

“(1) inpatient hospital services for up to 90 days during any spell of illness;

“(2) post-hospital extended care services for up to 100 days during any spell of illness;

“(3) post-hospital home health services for up to 100 visits (during the one-year period described in section 1861(n)) after the beginning of one spell of illness and before the beginning of the next; and

“(4) outpatient hospital diagnostic services.

“(b) Payment under this part for services furnished an individual during a spell of illness may not (subject to subsection (c)) be made for—

“(1) inpatient hospital services furnished to him during such spell after such services have been furnished to him for 90 days during such spell;

“(2) post-hospital extended care services furnished to him during such spell after such services have been furnished to him for 100 days during such spell; or

“(3) inpatient psychiatric hospital services furnished to him after such services have been furnished to him for a total of 190 days during his lifetime.

“(c) If an individual is an inpatient of a psychiatric hospital or a tuberculosis hospital on the first day of the first month for which he is entitled to benefits under this part, the days on which he was an inpatient of such a hospital in the 90-day period immediately before such first day shall be included in determining the 90-day limit under subsection (b) (1) (but not in determining the 190-day limit under subsection (b) (3)).

“(d) Payment under this part may be made for post-hospital home health services furnished an individual only during the one-year period described in section 1861(n) following his most recent hospital discharge which meets the requirements of such section, and only for the first 100 visits in such period. The number of visits to be charged for purposes of the limitation in the preceding sentence, in connection with items or services described in section 1861(m), shall be determined in accordance with regulations.

“(e) For purposes of subsections (b), (c), and (d), inpatient hospital services, inpatient psychiatric hospital services, post-hospital extended care services, and post-hospital home health services shall be taken into account only if payment is or would be, except for this section or the failure to comply with the request and certification requirements of or under section 1814(a), made with respect to such services under this part.

“(f) For definition of ‘spell of illness’, and for definitions of other terms used in this part, see section 1861.

Post, p. 320.

Post, p. 294.

#### “DEDUCTIBLES AND COINSURANCE

“SEC. 1813. (a) (1) The amount payable for inpatient hospital services furnished an individual during any spell of illness shall be reduced by a deduction equal to the inpatient hospital deductible or, if less, the charges imposed with respect to such individual for such services, except that, if the customary charges for such services are greater than the charges so imposed, such customary charges shall be considered to be the charges so imposed. Such amount shall be further reduced by a coinsurance amount equal to one-fourth of the

Inpatient hospital services.

Outpatient  
hospital  
diagnostic  
services.

inpatient hospital deductible for each day (before the 91st day) on which such individual is furnished such services during such spell of illness after such services have been furnished to him for 60 days during such spell.

"(2) The amount payable for outpatient hospital diagnostic services furnished an individual during a diagnostic study shall be reduced by a deduction equal to the sum of (A) one-half of the inpatient hospital deductible which is applicable to spells of illness beginning in the same calendar year as such diagnostic study and (B) 20 per centum of the remainder of such amount. For purposes of the preceding sentence, a diagnostic study for any individual consists of the outpatient hospital diagnostic services provided by (or under arrangements made by) the same hospital during the 20-day period beginning on the first day (not included in a previous diagnostic study) on which he is entitled to hospital insurance benefits under section 226 and on which outpatient hospital diagnostic services are furnished him.

"(3) The amount payable to any provider of services under this part for services furnished an individual during any spell of illness shall be further reduced by an amount equal to the cost of the first three pints of whole blood furnished to him as part of such services during such spell of illness.

"(4) The amount payable for post-hospital extended care services furnished an individual during any spell of illness shall be reduced by a coinsurance amount equal to one-eighth of the inpatient hospital deductible for each day (before the 101st day) on which he is furnished such services after such services have been furnished to him for 20 days during such spell.

Inpatient  
hospital  
deductible.

"(b) (1) The inpatient hospital deductible which shall be applicable for the purposes of subsection (a) shall be \$40 in the case of any spell of illness or diagnostic study beginning before 1969.

"(2) The Secretary shall, between July 1 and October 1 of 1968, and of each year thereafter, determine and promulgate the inpatient hospital deductible which shall be applicable for the purposes of subsection (a) in the case of any spell of illness or diagnostic study beginning during the succeeding calendar year. Such inpatient hospital deductible shall be equal to \$40 multiplied by the ratio of (A) the current average per diem rate for inpatient hospital services for the calendar year preceding the promulgation, to (B) the current average per diem rate for such services for 1966. Any amount determined under the preceding sentence which is not a multiple of \$4 shall be rounded to the nearest multiple of \$4 (or, if it is midway between two multiples of \$4, to the next higher multiple of \$4). The current average per diem rate for any year shall be determined by the Secretary on the basis of the best information available to him (at the time the determination is made) as to the amounts paid under this part on account of inpatient hospital services furnished during such year, by hospitals which have agreements in effect under section 1866, to individuals who are entitled to hospital insurance benefits under section 226, plus the amount which would have been so paid but for subsection (a) (1) of this section.

Post, p. 327.  
Ante, p. 290.

"CONDITIONS OF AND LIMITATIONS ON PAYMENT FOR SERVICES"Requirement of Requests and Certifications

"SEC. 1814. (a) Except as provided in subsection (d), payment for services furnished an individual may be made only to providers of services which are eligible therefor under section 1866 and only if— Post, p. 327.

"(1) written request, signed by such individual except in cases in which the Secretary finds it impracticable for the individual to do so, is filed for such payment in such form, in such manner, within such time, and by such person or persons as the Secretary may by regulation prescribe;

"(2) a physician certifies (and recertifies, where such services are furnished over a period of time, in such cases, with such frequency, and accompanied by such supporting material, appropriate to the case involved, as may be provided by regulations, except that the first of such recertifications shall be required in each case of inpatient hospital services not later than the 20th day of such period) that—

"(A) in the case of inpatient hospital services (other than inpatient psychiatric hospital services and inpatient tuberculosis hospital services), such services are or were required to be given on an inpatient basis for such individual's medical treatment, or that inpatient diagnostic study is or was medically required and such services are or were necessary for such purpose;

"(B) in the case of inpatient psychiatric hospital services, such services are or were required to be given on an inpatient basis, by or under the supervision of a physician, for the psychiatric treatment of an individual; and (i) such treatment can or could reasonably be expected to improve the condition for which such treatment is or was necessary or (ii) inpatient diagnostic study is or was medically required and such services are or were necessary for such purposes;

"(C) in the case of inpatient tuberculosis hospital services, such services are or were required to be given on an inpatient basis, by or under the supervision of a physician, for the treatment of an individual for tuberculosis; and such treatment can or could reasonably be expected to (i) improve the condition for which such treatment is or was necessary or (ii) render the condition noncommunicable;

"(D) in the case of post-hospital extended care services, such services are or were required to be given on an inpatient basis because the individual needs or needed skilled nursing care on a continuing basis for any of the conditions with respect to which he was receiving inpatient hospital services (or services which would constitute inpatient hospital services if the institution met the requirements of paragraphs (6) and (8) of section 1861(e)) prior to transfer to the extended care facility or for a condition requiring such extended care services which arose after such transfer and while he was still in the facility for treatment of the condition or conditions for which he was receiving such inpatient hospital services; Post, p. 314.

Post, p. 319.

“(E) in the case of post-hospital home health services, such services are or were required because the individual is or was confined to his home (except when receiving items and services referred to in section 1861(m)(7)) and needed skilled nursing care on an intermittent basis, or physical or speech therapy, for any of the conditions with respect to which he was receiving inpatient hospital services (or services which would constitute inpatient hospital services if the institution met the requirements of paragraphs (6) and (8) of section 1861(e)) or post-hospital extended care services; a plan for furnishing such services to such individual has been established and is periodically reviewed by a physician; and such services are or were furnished while the individual was under the care of a physician; or

“(F) in the case of outpatient hospital diagnostic services, such services are or were required for diagnostic study;

“(3) in the case of inpatient psychiatric hospital services, the services are those which the records of the hospital indicate were furnished to the individual during periods when he was receiving (A) intensive treatment services, (B) admission and related services necessary for a diagnostic study, or (C) equivalent services;

“(4) in the case of inpatient tuberculosis hospital services, the services are those which the records of the hospital indicate were furnished to the individual during periods when he was receiving treatment which could reasonably be expected to (A) improve his condition or (B) render it noncommunicable;

“(5) with respect to inpatient hospital services furnished such individual after the 20th day of a continuous period of such services and with respect to post-hospital extended care services furnished after such day of a continuous period of such services as may be prescribed in or pursuant to regulations, there was not in effect, at the time of admission of such individual to the hospital or extended care facility, as the case may be, a decision under section 1866(d) (based on a finding that utilization review of long-stay cases is not being made in such hospital or facility); and

Post, p. 327.

“(6) with respect to inpatient hospital services or post-hospital extended care services furnished such individual during a continuous period, a finding has not been made (by the physician members of the committee or group, as described in section 1861(k)(4)) pursuant to the system of utilization review that further inpatient hospital services or further post-hospital extended care services, as the case may be, are not medically necessary; except that, if such a finding has been made, payment may be made for such services furnished before the 4th day after the day on which the hospital or extended care facility, as the case may be, received notice of such finding.

To the extent provided by regulations, the certification and recertification requirements of paragraph (2) shall be deemed satisfied where, at a later date, a physician makes certification of the kind provided in subparagraph (A), (B), (C), (D), (E), or (F) of paragraph (2)

(whichever would have applied), but only where such certification is accompanied by such medical and other evidence as may be required by such regulations.

**“Reasonable Cost of Services**

“(b) The amount paid to any provider of services with respect to services for which payment may be made under this part shall, subject to the provisions of section 1813, be the reasonable cost of such services, as determined under section 1861(v).

Ante, p. 292.  
Post, p. 322.

**“No Payments to Federal Providers of Services**

“(c) No payment may be made under this part (except under subsection (d)) to any Federal provider of services, except a provider of services which the Secretary determines is providing services to the public generally as a community institution or agency; and no such payment may be made to any provider of services for any item or service which such provider is obligated by a law of, or a contract with, the United States to render at public expense.

**“Payments for Emergency Hospital Services**

“(d) Payments shall also be made to any hospital for inpatient hospital services or outpatient hospital diagnostic services furnished, by the hospital or under arrangements (as defined in section 1861(w)) with it, to an individual entitled to hospital insurance benefits under section 226 even though such hospital does not have an agreement in effect under this title if (A) such services were emergency services and (B) the Secretary would be required to make such payment if the hospital had such an agreement in effect and otherwise met the conditions of payment hereunder. Such payments shall be made only in the amounts provided under subsection (b) and then only if such hospital agrees to comply, with respect to the emergency services provided, with the provisions of section 1866(a).

Ante, p. 290.

Post, p. 327.

**“Payment for Inpatient Hospital Services Prior to Notification of Noneligibility**

“(e) Notwithstanding that an individual is not entitled to have payment made under this part for inpatient hospital services furnished by any hospital, payment shall be made to such hospital (unless it elects not to receive such payment or, if payment has already been made by or on behalf of such individual, fails to refund such payment within the time specified by the Secretary) for such services which are furnished to the individual prior to notification to such hospital from the Secretary of his lack of entitlement, if such payments are precluded only by reason of section 1812 and if such hospital complies with the requirements of and regulations under this title with respect to such payments, has acted in good faith and without knowledge of such lack of entitlement, and has acted reasonably in assuming entitlement existed. Payment under the preceding sentence may not be made for services furnished an individual pursuant to any admission after the 6th elapsed day (not including as an elapsed day Saturday, Sunday, or a legal holiday) after the day on which such admission occurred.

Ante, p. 291.

"Payment for Certain Emergency Hospital Services Furnished  
Outside the United States

"(f) The authority contained in subsection (d) shall be applicable to emergency inpatient hospital services furnished an individual by a hospital located outside the United States if—

"(1) such individual was physically present in a place within the United States at the time the emergency which necessitated such inpatient hospital services occurred; and

"(2) such hospital was closer to, or substantially more accessible from, such place than the nearest hospital within the United States which was adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury.

"PAYMENT TO PROVIDERS OF SERVICES

"Sec. 1815. The Secretary shall periodically determine the amount which should be paid under this part to each provider of services with respect to the services furnished by it, and the provider of services shall be paid, at such time or times as the Secretary believes appropriate (but not less often than monthly) and prior to audit or settlement by the General Accounting Office, from the Federal Hospital Insurance Trust Fund, the amounts so determined, with necessary adjustments on account of previously made overpayments or underpayments; except that no such payments shall be made to any provider unless it has furnished such information as the Secretary may request in order to determine the amounts due such provider under this part for the period with respect to which the amounts are being paid or any prior period.

Post, p. 299.

"USE OF PUBLIC AGENCIES OR PRIVATE ORGANIZATIONS TO FACILITATE  
PAYMENT TO PROVIDERS OF SERVICES

"Sec. 1816. (a) If any group or association of providers of services wishes to have payments under this part to such providers made through a national, State, or other public or private agency or organization and nominates such agency or organization for this purpose, the Secretary is authorized to enter into an agreement with such agency or organization providing for the determination by such agency or organization (subject to such review by the Secretary as may be provided for by the agreement) of the amount of the payments required pursuant to this part to be made to such providers, and for the making of such payments by such agency or organization to such providers. Such agreement may also include provision for the agency or organization to do all or any part of the following: (1) to provide consultative services to institutions or agencies to enable them to establish and maintain fiscal records necessary for purposes of this part and otherwise to qualify as hospitals, extended care facilities, or home health agencies, and (2) with respect to the providers of services which are to receive payments through it (A) to serve as a center for, and communicate to providers, any information or instructions furnished to it by the Secretary, and serve as a channel of communication from providers to the Secretary; (B) to make such audits of the records of providers as may be necessary to insure that proper payments are made under this part; and (C) to perform such other functions as are necessary to carry out this subsection.

“(b) The Secretary shall not enter into an agreement with any agency or organization under this section unless (1) he finds (A) that to do so is consistent with the effective and efficient administration of this part, and (B) that such agency or organization is willing and able to assist the providers to which payments are made through it under this part in the application of safeguards against unnecessary utilization of services furnished by them to individuals entitled to hospital insurance benefits under section 226, and the agreement provides for such assistance, and (2) such agency or organization agrees to furnish to the Secretary such of the information acquired by it in carrying out its agreement under this section as the Secretary may find necessary in performing his functions under this part.

Ante, p. 290.

“(c) An agreement with any agency or organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate, may provide for advances of funds to the agency or organization for the making of payments by it under subsection (a), and shall provide for payment of so much of the cost of administration of the agency or organization as is determined by the Secretary to be necessary and proper for carrying out the functions covered by the agreement.

“(d) If the nomination of an agency or organization as provided in this section is made by a group or association of providers of services, it shall not be binding on members of the group or association which notify the Secretary of their election to that effect. Any provider may, upon such notice as may be specified in the agreement under this section with an agency or organization, withdraw its nomination to receive payments through such agency or organization. Any provider which has withdrawn its nomination, and any provider which has not made a nomination, may elect to receive payments from any agency or organization which has entered into an agreement with the Secretary under this section if the Secretary and such agency or organization agree to it.

“(e) An agreement with the Secretary under this section may be terminated—

“(1) by the agency or organization which entered into such agreement at such time and upon such notice to the Secretary, to the public, and to the providers as may be provided in regulations, or

“(2) by the Secretary at such time and upon such notice to the agency or organization, to the providers which have nominated it for purposes of this section, and to the public, as may be provided in regulations, but only if he finds, after reasonable notice and opportunity for hearing to the agency or organization, that (A) the agency or organization has failed substantially to carry out the agreement, or (B) the continuation of some or all of the functions provided for in the agreement with the agency or organization is disadvantageous or is inconsistent with the efficient administration of this part.

“(f) An agreement with an agency or organization under this section may require any of its officers or employees certifying payments or disbursing funds pursuant to the agreement, or otherwise participating in carrying out the agreement, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

“(g) (1) No individual designated pursuant to an agreement under this section as a certifying officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payments certified by him under this section.

“(2) No disbursing officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by a certifying officer designated as provided in paragraph (1) of this subsection.

“(3) No such agency or organization shall be liable to the United States for any payments referred to in paragraph (1) or (2).

“FEDERAL HOSPITAL INSURANCE TRUST FUND

“SEC. 1817. (a) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the ‘Federal Hospital Insurance Trust Fund’ (hereinafter in this section referred to as the ‘Trust Fund’). The Trust Fund shall consist of such amounts as may be deposited in, or appropriated to, such fund as provided in this part. There are hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1966, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

Post, pp. 395, 396.

26 USC 6001  
et seq.

“(1) the taxes imposed by sections 3101(b) and 3111(b) of the Internal Revenue Code of 1954 with respect to wages reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of such Code after December 31, 1965, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such sections to such wages, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of records of wages established and maintained by the Secretary of Health, Education, and Welfare in accordance with such reports; and

Post, p. 394.

“(2) the taxes imposed by section 1401(b) of the Internal Revenue Code of 1954 with respect to self-employment income reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of such Code, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such section to such self-employment income, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of records of self-employment established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

The amounts appropriated by the preceding sentence shall be transferred from time to time from the general fund in the Treasury to the Trust Fund, such amounts to be determined on the basis of estimates by the Secretary of the Treasury of the taxes, specified in the preceding sentence, paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the taxes specified in such sentence.

Board of  
Trustees.

“(b) With respect to the Trust Fund, there is hereby created a body to be known as the Board of Trustees of the Trust Fund (hereinafter in this section referred to as the ‘Board of Trustees’) composed of the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare, all ex officio. The Secretary of the Treasury shall be the Managing Trustee of the Board of Trustees (hereinafter in this section referred to as the

'Managing Trustee'). The Commissioner of Social Security shall serve as the Secretary of the Board of Trustees. The Board of Trustees shall meet not less frequently than once each calendar year. It shall be the duty of the Board of Trustees to—

Reports to  
Congress.

"(1) Hold the Trust Fund;

"(2) Report to the Congress not later than the first day of March of each year on the operation and status of the Trust Fund during the preceding fiscal year and on its expected operation and status during the current fiscal year and the next 2 fiscal years;

"(3) Report immediately to the Congress whenever the Board is of the opinion that the amount of the Trust Fund is unduly small; and

"(4) Review the general policies followed in managing the Trust Fund, and recommend changes in such policies, including necessary changes in the provisions of law which govern the way in which the Trust Fund is to be managed.

The report provided for in paragraph (2) shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected income to, and disbursements to be made from, the Trust Fund during the current fiscal year and each of the next 2 fiscal years, and a statement of the actuarial status of the Trust Fund. Such report shall be printed as a House document of the session of the Congress to which the report is made.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligations for purchase by the Trust Fund. Such obligations issued for purchase by the Trust Fund shall have maturities fixed with due regard for the needs of the Trust Fund and shall bear interest at a rate equal to the average market yield (computed by the Managing Trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest on such obligations shall be the multiple of one-eighth of 1 per centum nearest such market yield. The Managing Trustee may purchase other interest-bearing obligations of the United States or obligations guaranteed as to both principal and interest by the United States, on original issue or at the market price, only where he determines that the purchase of such other obligations is in the public interest.

Investment of  
Fund monies.

40 Stat. 288.  
31 USC 774.

"(d) Any obligations acquired by the Trust Fund (except public-debt obligations issued exclusively to the Trust Fund) may be sold by the Managing Trustee at the market price, and such public-debt obligations may be redeemed at par plus accrued interest.

“(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

Post, p. 395.  
Post, p. 393.

“(f) (1) The Managing Trustee is directed to pay from time to time from the Trust Fund into the Treasury the amount estimated by him as taxes imposed under section 3101(b) which are subject to refund under section 6413(c) of the Internal Revenue Code of 1954 with respect to wages paid after December 31, 1965. Such taxes shall be determined on the basis of the records of wages established and maintained by the Secretary of Health, Education, and Welfare in accordance with the wages reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, and the Secretary of Health, Education, and Welfare shall furnish the Managing Trustee such information as may be required by the Managing Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections.

26 USC 6001  
et seq.

“(2) Repayments made under paragraph (1) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under such paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

“(g) There shall be transferred periodically (but not less often than once each fiscal year) to the Trust Fund from the Federal Old-Age and Survivors Insurance Trust Fund and from the Federal Disability Insurance Trust Fund amounts equivalent to the amounts not previously so transferred which the Secretary of Health, Education, and Welfare shall have certified as overpayments (other than amounts so certified to the Railroad Retirement Board) pursuant to section 1870(b) of this Act. There shall be transferred periodically (but not less often than once each fiscal year) to the Trust Fund from the Railroad Retirement Account amounts equivalent to the amounts not previously so transferred which the Secretary of Health, Education, and Welfare shall have certified as overpayments to the Railroad Retirement Board pursuant to section 1870(b) of this Act.

Post, p. 331.

“(h) The Managing Trustee shall also pay from time to time from the Trust Fund such amounts as the Secretary of Health, Education, and Welfare certifies are necessary to make the payments provided for by this part, and the payments with respect to administrative expenses in accordance with section 201(g) (1).

Post, p. 338.

“PART B—SUPPLEMENTARY MEDICAL INSURANCE BENEFITS FOR THE AGED

“ESTABLISHMENT OF SUPPLEMENTARY MEDICAL INSURANCE PROGRAM FOR THE AGED

“SEC. 1831. There is hereby established a voluntary insurance program to provide medical insurance benefits in accordance with the provisions of this part for individuals 65 years of age or over who elect to enroll under such program, to be financed from premium payments by enrollees together with contributions from funds appropriated by the Federal Government.

## "SCOPE OF BENEFITS

"SEC. 1832. (a) The benefits provided to an individual by the insurance program established by this part shall consist of—

"(1) entitlement to have payment made to him or on his behalf (subject to the provisions of this part) for medical and other health services, except those described in paragraph (2) (B); and

"(2) entitlement to have payment made on his behalf (subject to the provisions of this part) for—

"(A) home health services for up to 100 visits during a calendar year; and

"(B) medical and other health services (other than physicians' services unless furnished by a resident or intern of a hospital) furnished by a provider of services or by others under arrangements with them made by a provider of services.

"(b) For definitions of 'spell of illness', 'medical and other health services', and other terms used in this part, see section 1861.

Post, p. 313.

## "PAYMENT OF BENEFITS

"SEC. 1833. (a) Subject to the succeeding provisions of this section, there shall be paid from the Federal Supplementary Medical Insurance Trust Fund, in the case of each individual who is covered under the insurance program established by this part and incurs expenses for services with respect to which benefits are payable under this part, amounts equal to—

Post, p. 308.

"(1) in the case of services described in section 1832(a) (1)—  
80 percent of the reasonable charges for the services; except that an organization which provides medical and other health services (or arranges for their availability) on a prepayment basis may elect to be paid 80 percent of the reasonable cost of services for which payment may be made under this part on behalf of individuals enrolled in such organization in lieu of 80 percent of the reasonable charges for such services if the organization undertakes to charge such individuals no more than 20 percent of such reasonable cost plus any amounts payable by them as a result of subsection (b); and

"(2) in the case of services described in section 1832(a) (2)—  
80 percent of the reasonable cost of the services (as determined under section 1861(v)).

"(b) Before applying subsection (a) with respect to expenses incurred by an individual during any calendar year, the total amount of the expenses incurred by such individual during such year (which would, except for this subsection, constitute incurred expenses from which benefits payable under subsection (a) are determinable) shall be reduced by a deductible of \$50; except that (1) the amount of the deductible for such calendar year as so determined shall first be reduced by the amount of any expenses incurred by such individual in the last three months of the preceding calendar year (or regarded under clause (2) as incurred in such preceding year with respect to services furnished in such last three months) and applied toward such individual's deductible under this section for such preceding year, and (2) the amount of any deduction imposed under section 1813(a) (2) (A) with

Post, p. 322.  
Deductible  
provision.

Ante, p. 292.

Mental disorders.

respect to outpatient hospital diagnostic services furnished in any calendar year shall be regarded as an incurred expense under this part for such year.

“(c) Notwithstanding any other provision of this part, with respect to expenses incurred in any calendar year in connection with the treatment of mental, psychoneurotic, and personality disorders of an individual who is not an inpatient of a hospital at the time such expenses are incurred, there shall be considered as incurred expenses for purposes of subsections (a) and (b) only whichever of the following amounts is the smaller:

“(1) \$312.50, or

“(2) 62½ percent of such expenses.

Ante, p. 292.

“(d) No payment may be made under this part with respect to any services furnished an individual to the extent that such individual is entitled (or would be entitled except for section 1813 other than subsection (a) (2) (A) thereof) to have payment made with respect to such services under part A.

“(e) No payment shall be made to any provider of services or other person under this part unless there has been furnished such information as may be necessary in order to determine the amounts due such provider or other person under this part for the period with respect to which the amounts are being paid or for any prior period.

“LIMITATION ON HOME HEALTH SERVICES

Post, p. 319.

“SEC. 1834. (a) Payment under this part may be made for home health services furnished an individual during any calendar year only for 100 visits during such year. The number of visits to be charged for purposes of the limitation in the preceding sentence, in connection with items and services described in section 1861(m), shall be determined in accordance with regulations.

“(b) For purposes of subsection (a), home health services shall be taken into account only if payment under this part is or would be, except for this section or the failure to comply with the request and certification requirements of or under section 1835(a), made with respect to such services.

“PROCEDURE FOR PAYMENT OF CLAIMS OF PROVIDERS OF SERVICES

Post, p. 327.

“SEC. 1835. (a) Payment for services described in section 1832(a) (2) furnished an individual may be made only to providers of services which are eligible therefor under section 1866(a), and only if—

“(1) written request, signed by such individual except in cases in which the Secretary finds it impracticable for the individual to do so, is filed for such payment in such form, in such manner, within such time, and by such person or persons as the Secretary may by regulations prescribe; and

“(2) a physician certifies (and recertifies, where such services are furnished over a period of time, in such cases, with such frequency, and accompanied by such supporting material, appropriate to the case involved, as may be provided by regulations) that—

“(A) in the case of home health services (i) such services are or were required because the individual is or was confined to his home (except when receiving items and services referred to in section 1861(m) (7)) and needed skilled nursing care on an intermittent basis, or physical or speech therapy,

(ii) a plan for furnishing such services to such individual has been established and is periodically reviewed by a physician, and (iii) such services are or were furnished while the individual is or was under the care of a physician; and

“(B) in the case of medical and other health services, such services are or were medically required.

To the extent provided by regulations, the certification and recertification requirements of paragraph (2) shall be deemed satisfied where, at a later date, a physician makes a certification of the kind provided in subparagraph (A) or (B) of paragraph (2) (whichever would have applied), but only where such certification is accompanied by such medical and other evidence as may be required by such regulations.

“(b) No payment may be made under this part to any Federal provider of services or other Federal agency, except a provider of services which the Secretary determines is providing services to the public generally as a community institution or agency; and no such payment may be made to any provider of services or other person for any item or service which such provider or person is obligated by a law of, or a contract with, the United States to render at public expense.

#### “ELIGIBLE INDIVIDUALS

“SEC. 1836. Every individual who—

“(1) has attained the age of 65, and

“(2) (A) is a resident of the United States, and is either (i) a citizen or (ii) an alien lawfully admitted for permanent residence who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part, or (B) is entitled to hospital insurance benefits under part A,

is eligible to enroll in the insurance program established by this part.

#### “ENROLLMENT PERIODS

“SEC. 1837. (a) An individual may enroll in the insurance program established by this part only in such manner and form as may be prescribed by regulations, and only during an enrollment period prescribed in or under this section.

“(b) (1) No individual may enroll for the first time under this part more than 3 years after the close of the first enrollment period during which he could have enrolled under this part.

“(2) An individual whose enrollment under this part has terminated may not enroll for the second time under this part unless he does so in a general enrollment period (as provided in subsection (e)) which begins within 3 years after the effective date of such termination. No individual may enroll under this part more than twice.

“(c) In the case of individuals who first satisfy paragraphs (1) and (2) of section 1836 before January 1, 1966, the initial general enrollment period shall begin on the first day of the second month which begins after the date of enactment of this title and shall end on March 31, 1966. For purposes of this subsection and subsection (d), an individual who satisfies paragraph (2) of section 1836 solely by reason of subparagraph (B) thereof shall be treated as satisfying such paragraph (2) on the first day on which he is (or on filing application would be) entitled to hospital insurance benefits under part A.

“(d) In the case of an individual who first satisfies paragraphs (1) and (2) of section 1836 on or after January 1, 1966, his initial enroll-

ment period shall begin on the first day of the third month before the month in which he first satisfies such paragraphs and shall end seven months later.

“(e) There shall be a general enrollment period, after the period described in subsection (c), during the period beginning on October 1 and ending on December 31 of each odd-numbered year beginning with 1967.

“COVERAGE PERIOD

“SEC. 1838. (a) The period during which an individual is entitled to benefits under the insurance program established by this part (hereinafter referred to as his ‘coverage period’) shall begin on whichever of the following is the latest:

“(1) July 1, 1966; or

“(2) (A) in the case of an individual who enrolls pursuant to subsection (d) of section 1837 before the month in which he first satisfies paragraphs (1) and (2) of section 1836, the first day of such month, or

“(B) in the case of an individual who enrolls pursuant to such subsection (d) in the month in which he first satisfies such paragraphs, the first day of the month following the month in which he so enrolls, or

“(C) in the case of an individual who enrolls pursuant to such subsection (d) in the month following the month in which he first satisfies such paragraphs, the first day of the second month following the month in which he so enrolls, or

“(D) in the case of an individual who enrolls pursuant to such subsection (d) more than one month following the month in which he satisfies such paragraphs, the first day of the third month following the month in which he so enrolls, or

“(E) in the case of an individual who enrolls pursuant to subsection (e) of section 1837, the July 1 following the month in which he so enrolls.

“(b) An individual’s coverage period shall continue until his enrollment has been terminated—

“(1) by the filing of notice, during a general enrollment period described in section 1837 (e), that the individual no longer wishes to participate in the insurance program established by this part, or

“(2) for nonpayment of premiums.

The termination of a coverage period under paragraph (1) shall take effect at the close of December 31 of the year in which the notice is filed. The termination of a coverage period under paragraph (2) shall take effect on a date determined under regulations, which may be determined so as to provide a grace period (not in excess of 90 days) in which overdue premiums may be paid and coverage continued.

“(c) No payments may be made under this part with respect to the expenses of an individual unless such expenses were incurred by such individual during a period which, with respect to him, is a coverage period.

“AMOUNTS OF PREMIUMS

“SEC. 1839. (a) The monthly premium of each individual enrolled under this part for each month before 1968 shall be \$3.

“(b) (1) The monthly premium of each individual enrolled under this part for each month after 1967 shall be the amount determined under paragraph (2).

"(2) The Secretary shall, between July 1 and October 1 of 1967 and of each odd-numbered year thereafter, determine and promulgate the dollar amount which shall be applicable for premiums for months occurring in either of the two succeeding calendar years. Such dollar amount shall be such amount as the Secretary estimates to be necessary so that the aggregate premiums for such two succeeding calendar years will equal one-half of the total of the benefits and administrative costs which he estimates will be payable from the Federal Supplementary Medical Insurance Trust Fund for such two succeeding calendar years. In estimating aggregate benefits payable for any period, the Secretary shall include an appropriate amount for a contingency margin.

Post, p. 308.

"(c) In the case of an individual whose coverage period began pursuant to an enrollment after his initial enrollment period (determined pursuant to subsection (c) or (d) of section 1837), the monthly premium determined under subsection (b) shall be increased by 10 percent of the monthly premium so determined for each full 12 months in which he could have been but was not enrolled. For purposes of the preceding sentence, there shall be taken into account (1) the months which elapsed between the close of his initial enrollment period and the close of the enrollment period in which he enrolled, plus (in the case of an individual who enrolls for a second time) (2) the months which elapsed between the date of the termination of his first coverage period and the close of the enrollment period in which he enrolled for the second time.

"(d) If any monthly premium determined under the foregoing provisions of this section is not a multiple of 10 cents, such premium shall be rounded to the nearest multiple of 10 cents.

#### "PAYMENT OF PREMIUMS

"SEC. 1840. (a) (1) In the case of an individual who is entitled to monthly benefits under section 202, his monthly premiums under this part shall (except as provided in subsection (d)) be collected by deducting the amount thereof from the amount of such monthly benefits. Such deduction shall be made in such manner and at such times as the Secretary shall by regulation prescribe.

53 Stat. 1363.  
42 USC 402.

"(2) The Secretary of the Treasury shall, from time to time, transfer from the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund to the Federal Supplementary Medical Insurance Trust Fund the aggregate amount deducted under paragraph (1) for the period to which such transfer relates from benefits under section 202 which are payable from such Trust Fund. Such transfer shall be made on the basis of a certification by the Secretary of Health, Education, and Welfare and shall be appropriately adjusted to the extent that prior transfers were too great or too small.

70 Stat. 819.  
42 USC 401.  
Post, p. 308.

"(b) (1) In the case of an individual who is entitled to receive for a month an annuity or pension under the Railroad Retirement Act of 1937, his monthly premiums under this part shall (except as provided in subsection (d)) be collected by deducting the amount thereof from such annuity or pension. Such deduction shall be made in such manner and at such times as the Secretary shall by regulations prescribe. Such regulations shall be prescribed only after consultation with the Railroad Retirement Board.

Railroad  
Retirement Act  
annuitants.  
Post, pp. 335,  
340, 400.

"(2) The Secretary of the Treasury shall, from time to time, transfer from the Railroad Retirement Account to the Federal Supplementary Medical Insurance Trust Fund the aggregate amount

45 USC 228o.

deducted under paragraph (1) for the period to which such transfer relates. Such transfers shall be made on the basis of a certification by the Railroad Retirement Board and shall be appropriately adjusted to the extent that prior transfers were too great or too small.

42 USC 402.  
Post, pp. 335,  
340, 400.

“(c) In the case of an individual who is entitled both to monthly benefits under section 202 and to an annuity or pension under the Railroad Retirement Act of 1937 at the time he enrolls under this part, subsection (a) shall apply so long as he continues to be entitled both to such benefits and such annuity or pension. In the case of an individual who becomes entitled both to such benefits and such an annuity or pension after he enrolls under this part, subsection (a) shall apply if the first month for which he was entitled to such benefits was the same as or earlier than the first month for which he was entitled to such annuity or pension, and otherwise subsection (b) shall apply.

“(d) If an individual to whom subsection (a) or (b) applies estimates that the amount which will be available for deduction under such subsection for any premium payment period will be less than the amount of the monthly premiums for such period, he may (under regulations) pay to the Secretary such portion of the monthly premiums for such period as he desires.

Civil Service  
Retirement Act  
annuitants.  
70 Stat. 743.  
5 USC 2251 note.

“(e) (1) In the case of an individual receiving an annuity under the Civil Service Retirement Act, or other Act administered by the Civil Service Commission providing retirement or survivorship protection, to whom neither subsection (a) nor subsection (b) applies, his monthly premiums under this part (and the monthly premiums of the spouse of such individual under this part if neither subsection (a) nor subsection (b) applies to such spouse and if such individual agrees) shall, upon notice from the Secretary of Health, Education, and Welfare to the Civil Service Commission, be collected by deducting the amount thereof from each installment of such annuity. Such deduction shall be made in such manner and at such times as the Civil Service Commission may determine. The Civil Service Commission shall furnish such information as the Secretary of Health, Education, and Welfare may reasonably request in order to carry out his functions under this part with respect to individuals to whom this subsection applies.

“(2) The Secretary of the Treasury shall, from time to time, but not less often than quarterly, transfer from the Civil Service Retirement and Disability Fund, or the account (if any) applicable in the case of such other Act administered by the Civil Service Commission, to the Federal Supplementary Medical Insurance Trust Fund the aggregate amount deducted under paragraph (1) for the period to which such transfer relates. Such transfer shall be made on the basis of a certification by the Civil Service Commission and shall be appropriately adjusted to the extent that prior transfers were too great or too small.

“(f) In the case of an individual who participates in the insurance program established by this part but with respect to whom none of the preceding provisions of this section applies, or with respect to whom subsection (d) applies, the premiums shall be paid to the Secretary at such times, and in such manner, as the Secretary shall by regulations prescribe.

“(g) Amounts paid to the Secretary under subsection (d) or (f) shall be deposited in the Treasury to the credit of the Federal Supplementary Medical Insurance Trust Fund.

“(h) In the case of an individual who participates in the insurance program established by this part, premiums shall be payable for the period commencing with the first month of his coverage period and ending with the month in which he dies or, if earlier, in which his coverage under such program terminates.

“FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

“SEC. 1841. (a) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the ‘Federal Supplementary Medical Insurance Trust Fund’ (hereinafter in this section referred to as the ‘Trust Fund’). The Trust Fund shall consist of such amounts as may be deposited in, or appropriated to, such fund as provided in this part.

“(b) With respect to the Trust Fund, there is hereby created a body to be known as the Board of Trustees of the Trust Fund (hereinafter in this section referred to as the ‘Board of Trustees’) composed of the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare, all ex officio. The Secretary of the Treasury shall be the Managing Trustee of the Board of Trustees (hereinafter in this section referred to as the ‘Managing Trustee’). The Commissioner of Social Security shall serve as the Secretary of the Board of Trustees. The Board of Trustees shall meet not less frequently than once each calendar year. It shall be the duty of the Board of Trustees to—

Board of  
Trustees.

Reports to  
Congress.

“(1) Hold the Trust Fund;

“(2) Report to the Congress not later than the first day of March of each year on the operation and status of the Trust Fund during the preceding fiscal year and on its expected operation and status during the current fiscal year and the next 2 fiscal years;

“(3) Report immediately to the Congress whenever the Board is of the opinion that the amount of the Trust Fund is unduly small; and

“(4) Review the general policies followed in managing the Trust Fund, and recommend changes in such policies, including necessary changes in the provisions of law which govern the way in which the Trust Fund is to be managed.

The report provided for in paragraph (2) shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected income to, and disbursements to be made from, the Trust Fund during the current fiscal year and each of the next 2 fiscal years, and a statement of the actuarial status of the Trust Fund. Such report shall be printed as a House document of the session of the Congress to which the report is made.

“(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligations for purchase by the Trust Fund. Such obligations issued for purchase by the Trust Fund shall have matu-

Investment of  
Fund monies.

40 Stat. 288.  
31 USC 774.

rities fixed with due regard for the needs of the Trust Fund and shall bear interest at a rate equal to the average market yield (computed by the Managing Trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest on such obligations shall be the multiple of one-eighth of 1 per centum nearest such market yield. The Managing Trustee may purchase other interest-bearing obligations of the United States or obligations guaranteed as to both principal and interest by the United States, on original issue or at the market price, only where he determines that the purchase of such other obligations is in the public interest.

“(d) Any obligations acquired by the Trust Fund (except public-debt obligations issued exclusively to the Trust Fund) may be sold by the Managing Trustee at the market price, and such public-debt obligations may be redeemed at par plus accrued interest.

“(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

“(f) There shall be transferred periodically (but not less often than once each fiscal year) to the Trust Fund from the Federal Old-Age and Survivors Insurance Trust Fund and from the Federal Disability Insurance Trust Fund amounts equivalent to the amounts not previously so transferred which the Secretary of Health, Education, and Welfare shall have certified as overpayments (other than amounts so certified to the Railroad Retirement Board) pursuant to section 1870(b) of this Act. There shall be transferred periodically (but not less often than once each fiscal year) to the Trust Fund from the Railroad Retirement Account amounts equivalent to the amounts not previously so transferred which the Secretary of Health, Education, and Welfare shall have certified as overpayments to the Railroad Retirement Board pursuant to section 1870(b) of this Act.

Post, p. 331.

“(g) The Managing Trustee shall pay from time to time from the Trust Fund such amounts as the Secretary of Health, Education, and Welfare certifies are necessary to make the payments provided for by this part, and the payments with respect to administrative expenses in accordance with section 201(g)(1).

Post, p. 338.

“(h) The Managing Trustee shall pay from time to time from the Trust Fund such amounts as the Secretary of Health, Education, and Welfare certifies are necessary to pay the costs incurred by the Civil Service Commission in making deductions pursuant to section 1840(e). During each fiscal year, or after the close of such fiscal year, the Civil Service Commission shall certify to the Secretary the amount of the costs it incurred in making such deductions, and such certified amount shall be the basis for the amount of such costs certified by the Secretary to the Managing Trustee.

#### “USE OF CARRIERS FOR ADMINISTRATION OF BENEFITS

“Sec. 1842. (a) In order to provide for the administration of the benefits under this part with maximum efficiency and convenience for individuals entitled to benefits under this part and for providers of services and other persons furnishing services to such individuals, and with a view to furthering coordination of the administration of the

benefits under part A and under this part, the Secretary is authorized to enter into contracts with carriers, including carriers with which agreements under section 1816 are in effect, which will perform some Ante, p. 297. or all of the following functions (or, to the extent provided in such contracts, will secure performance thereof by other organizations); and, with respect to any of the following functions which involve payments for physicians' services, the Secretary shall to the extent possible enter into such contracts:

"(1) (A) make determinations of the rates and amounts of payments required pursuant to this part to be made to providers of services and other persons on a reasonable cost or reasonable charge basis (as may be applicable);

"(B) receive, disburse, and account for funds in making such payments; and

"(C) make such audits of the records of providers of services as may be necessary to assure that proper payments are made under this part;

"(2) (A) determine compliance with the requirements of section 1861(k) as to utilization review; and

"(B) assist providers of services and other persons who furnish services for which payment may be made under this part in the development of procedures relating to utilization practices, make studies of the effectiveness of such procedures and methods for their improvement, assist in the application of safeguards against unnecessary utilization of services furnished by providers of services and other persons to individuals entitled to benefits under this part, and provide procedures for and assist in arranging, where necessary, the establishment of groups outside hospitals (meeting the requirements of section 1861(k) (2)) to make Post, p. 318. reviews of utilization;

"(3) serve as a channel of communication of information relating to the administration of this part; and

"(4) otherwise assist, in such manner as the contract may provide, in discharging administrative duties necessary to carry out the purposes of this part.

"(b) (1) Contracts with carriers under subsection (a) may be entered into without regard to section 3709 of the Revised Statutes or any other provision of law requiring competitive bidding. Contracts with carriers. 41 USC 5.

"(2) No such contract shall be entered into with any carrier unless the Secretary finds that such carrier will perform its obligations under the contract efficiently and effectively and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent.

"(3) Each such contract shall provide that the carrier—

"(A) will take such action as may be necessary to assure that, where payment under this part for a service is on a cost basis, the cost is reasonable cost (as determined under section 1861(v)); Post, p. 322.

"(B) will take such action as may be necessary to assure that, where payment under this part for a service is on a charge basis, (i) such charge will be reasonable and not higher than the charge applicable, for a comparable service and under comparable circumstances, to the policyholders and subscribers of the carrier, and (ii) such payment will be made on the basis of a receipted bill, or on the basis of an assignment under the terms of which the reasonable charge is the full charge for the service;

"(C) will establish and maintain procedures pursuant to which an individual enrolled under this part will be granted an oppor-

tunity for a fair hearing by the carrier when requests for payment under this part with respect to services furnished him are denied or are not acted upon with reasonable promptness or when the amount of such payment is in controversy;

“(D) will furnish to the Secretary such timely information and reports as he may find necessary in performing his functions under this part; and

“(E) will maintain such records and afford such access thereto as the Secretary finds necessary to assure the correctness and verification of the information and reports under subparagraph (D) and otherwise to carry out the purposes of this part;

and shall contain such other terms and conditions not inconsistent with this section as the Secretary may find necessary or appropriate. In determining the reasonable charge for services for purposes of this paragraph, there shall be taken into consideration the customary charges for similar services generally made by the physician or other person furnishing such services, as well as the prevailing charges in the locality for similar services.

“(4) Each contract under this section shall be for a term of at least one year, and may be made automatically renewable from term to term in the absence of notice by either party of intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after such reasonable notice and opportunity for hearing to the carrier involved as he may provide in regulations) if he finds that the carrier has failed substantially to carry out the contract or is carrying out the contract in a manner inconsistent with the efficient and effective administration of the insurance program established by this part.

“(c) Any contract entered into with a carrier under this section shall provide for advances of funds to the carrier for the making of payments by it under this part, and shall provide for payment of the cost of administration of the carrier, as determined by the Secretary to be necessary and proper for carrying out the functions covered by the contract.

“(d) Any contract with a carrier under this section may require such carrier or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

“(e) (1) No individual designated pursuant to a contract under this section as a certifying officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payments certified by him under this section.

“(2) No disbursing officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by a certifying officer designated as provided in paragraph (1) of this subsection.

“(3) No such carrier shall be liable to the United States for any payments referred to in paragraph (1) or (2).

“Carrier.”

“(f) For purposes of this part, the term ‘carrier’ means—

“(1) with respect to providers of services and other persons, a voluntary association, corporation, partnership, or other non-governmental organization which is lawfully engaged in providing, paying for, or reimbursing the cost of, health services under group insurance policies or contracts, medical or hospital service agreements, membership or subscription contracts, or similar

group arrangements, in consideration of premiums or other periodic charges payable to the carrier, including a health benefits plan duly sponsored or underwritten by an employee organization; and

“(2) with respect to providers of services only, any agency or organization (not described in paragraph (1)) with which an agreement is in effect under section 1816.

Ante, p. 297.

“STATE AGREEMENTS FOR COVERAGE OF ELIGIBLE INDIVIDUALS WHO ARE RECEIVING MONEY PAYMENTS UNDER PUBLIC ASSISTANCE PROGRAMS

“SEC. 1843. (a) The Secretary shall, at the request of a State made before January 1, 1968, enter into an agreement with such State pursuant to which all eligible individuals in either of the coverage groups described in subsection (b) (as specified in the agreement) will be enrolled under the program established by this part.

“(b) An agreement entered into with any State pursuant to subsection (a) may be applicable to either of the following coverage groups:

“(1) individuals receiving money payments under the plan of such State approved under title I or title XVI; or

“(2) individuals receiving money payments under all of the plans of such State approved under titles I, IV, X, XIV, and XVI;

except that there shall be excluded from any coverage group any individual who is entitled to monthly insurance benefits under title II or who is entitled to receive an annuity or pension under the Railroad Retirement Act of 1937.

42 USC 301, 601,  
1201, 1351, 1381.

42 USC 401.

“(c) For purposes of this section, an individual shall be treated as an eligible individual only if he is an eligible individual (within the meaning of section 1836) on the date an agreement covering him is entered into under subsection (a) or he becomes an eligible individual (within the meaning of such section) at any time after such date and before January 1, 1968; and he shall be treated as receiving money payments described in subsection (b) if he receives such payments for the month in which the agreement is entered into or any month thereafter before January 1968.

Post, pp. 335,  
340, 400.

“(d) In the case of any individual enrolled pursuant to this section—

“(1) the monthly premium to be paid by the State shall be determined under section 1839 (without any increase under subsection (c) thereof);

“(2) his coverage period shall begin on whichever of the following is the latest:

“(A) July 1, 1966;

“(B) the first day of the third month following the month in which the State agreement is entered into;

“(C) the first day of the first month in which he is both an eligible individual and a member of a coverage group specified in the agreement under this section; or

“(D) such date (not later than January 1, 1968) as may be specified in the agreement; and

“(3) his coverage period attributable to the agreement with the State under this section shall end on the last day of whichever of the following first occurs:

“(A) the month in which he is determined by the State agency to have become ineligible for money payments of a kind specified in the agreement, or

42 USC 401.

“(B) the month preceding the first month for which he becomes entitled to monthly benefits under title II or to an annuity or pension under the Railroad Retirement Act of 1937.

“(e) Any individual whose coverage period attributable to the State agreement is terminated pursuant to subsection (d) (3) shall be deemed for purposes of this part (including the continuation of his coverage period under this part) to have enrolled under section 1837 in the initial general enrollment period provided by section 1837 (c).

“(f) With respect to eligible individuals receiving money payments under the plan of a State approved under title I, IV, X, XIV, or XVI, if the agreement entered into under this section so provides, the term ‘carrier’ as defined in section 1842 (f) also includes the State agency, specified in such agreement, which administers or supervises the administration of the plan of such State approved under title I, XVI, or XIX. The agreement shall also contain such provisions as will facilitate the financial transactions of the State and the carrier with respect to deductions, coinsurance, and otherwise, and as will lead to economy and efficiency of operation, with respect to individuals receiving money payments under plans of the State approved under titles I, IV, X, XIV, and XVI.

“APPROPRIATIONS TO COVER GOVERNMENT CONTRIBUTIONS AND  
CONTINGENCY RESERVE

“SEC. 1844. (a) There are authorized to be appropriated from time to time, out of any moneys in the Treasury not otherwise appropriated, to the Federal Supplementary Medical Insurance Trust Fund, a Government contribution equal to the aggregate premiums payable under this part.

“(b) In order to assure prompt payment of benefits provided under this part and the administrative expenses thereunder during the early months of the program established by this part, and to provide a contingency reserve, there is also authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, to remain available through the calendar year 1967 for repayable advances (without interest) to the Trust Fund, an amount equal to \$18 multiplied by the number of individuals (as estimated by the Secretary) who could be covered in July 1966 by the insurance program established by this part if they had theretofore enrolled under this part.

“PART C—MISCELLANEOUS PROVISIONS

“DEFINITIONS OF SERVICES, INSTITUTIONS, ETC.

“SEC. 1861. For purposes of this title—

“Spell of Illness

“(a) The term ‘spell of illness’ with respect to any individual means a period of consecutive days—

“(1) beginning with the first day (not included in a previous spell of illness) (A) on which such individual is furnished inpatient hospital services or extended care services, and (B) which occurs in a month for which he is entitled to benefits under part A, and

Ante, p. 291.

“(2) ending with the close of the first period of 60 consecutive days thereafter on each of which he is neither an inpatient of a hospital nor an inpatient of an extended care facility.

#### “Inpatient Hospital Services

“(b) The term ‘inpatient hospital services’ means the following items and services furnished to an inpatient of a hospital and (except as provided in paragraph (3)) by the hospital—

“(1) bed and board;

“(2) such nursing services and other related services, such use of hospital facilities, and such medical social services as are ordinarily furnished by the hospital for the care and treatment of inpatients, and such drugs, biologicals, supplies, appliances, and equipment, for use in the hospital, as are ordinarily furnished by such hospital for the care and treatment of inpatients; and

“(3) such other diagnostic or therapeutic items or services, furnished by the hospital or by others under arrangements with them made by the hospital, as are ordinarily furnished to inpatients either by such hospital or by others under such arrangements;

excluding, however—

“(4) medical or surgical services provided by a physician, resident, or intern; and

“(5) the services of a private-duty nurse or other private-duty attendant.

Paragraph (4) shall not apply to services provided in the hospital by an intern or a resident-in-training under a teaching program approved by the Council on Medical Education of the American Medical Association or, in the case of an osteopathic hospital, approved by the Committee on Hospitals of the Bureau of Professional Education of the American Osteopathic Association, or, in the case of services in a hospital or osteopathic hospital by an intern or resident-in-training in the field of dentistry, approved by the Council on Dental Education of the American Dental Association.

#### “Inpatient Psychiatric Hospital Services

“(c) The term ‘inpatient psychiatric hospital services’ means inpatient hospital services furnished to an inpatient of a psychiatric hospital.

#### “Inpatient Tuberculosis Hospital Services

“(d) The term ‘inpatient tuberculosis hospital services’ means inpatient hospital services furnished to an inpatient of a tuberculosis hospital.

#### “Hospital

“(e) The term ‘hospital’ (except for purposes of section 1814(d), subsection (a)(2) of this section, paragraph (7) of this subsection, and subsections (i) and (n) of this section) means an institution which—

“(1) is primarily engaged in providing, by or under the supervision of physicians, to inpatients (A) diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or (B) rehabilitation services for the rehabilitation of injured, disabled, or sick persons;

“(2) maintains clinical records on all patients;

“(3) has bylaws in effect with respect to its staff of physicians;

“(4) has a requirement that every patient must be under the care of a physician;

“(5) provides 24-hour nursing service rendered or supervised by a registered professional nurse, and has a licensed practical nurse or registered professional nurse on duty at all times;

“(6) has in effect a hospital utilization review plan which meets the requirements of subsection (k);

“(7) in the case of an institution in any State in which State or applicable local law provides for the licensing of hospitals, (A) is licensed pursuant to such law or (B) is approved, by the agency of such State or locality responsible for licensing hospitals, as meeting the standards established for such licensing; and

“(8) meets such other requirements as the Secretary finds necessary in the interest of the health and safety of individuals who are furnished services in the institution, except that such other requirements may not be higher than the comparable requirements prescribed for the accreditation of hospitals by the Joint Commission on Accreditation of Hospitals (subject to the second sentence of section 1863).

For purposes of subsection (a) (2), such term includes any institution which meets the requirements of paragraph (1) of this subsection. For purposes of sections 1814(d) (including determination of whether an individual received inpatient hospital services for purposes of such section), and subsections (i) and (n) of this section, such term includes any institution which meets the requirements of paragraphs (1), (2), (3), (4), (5), and (7) of this subsection. Notwithstanding the preceding provisions of this subsection, such term shall not, except for purposes of subsection (a) (2), include any institution which is primarily for the care and treatment of mental diseases or tuberculosis unless it is a tuberculosis hospital (as defined in subsection (g)) or unless it is a psychiatric hospital (as defined in subsection (f)). The term ‘hospital’ also includes a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts, but only with respect to items and services ordinarily furnished by such institution to inpatients, and payment may be made with respect to services provided by or in such an institution only to such extent and under such conditions, limitations, and requirements (in addition to or in lieu of the conditions, limitations, and requirements otherwise applicable) as may be provided in regulations. For provisions deeming certain requirements of this subsection to be met in the case of accredited institutions, see section 1865.

#### “Psychiatric Hospital

“(f) The term ‘psychiatric hospital’ means an institution which—

“(1) is primarily engaged in providing, by or under the supervision of a physician, psychiatric services for the diagnosis and treatment of mentally ill persons;

“(2) satisfies the requirements of paragraphs (3) through (8) of subsection (e);

“(3) maintains clinical records on all patients and maintains such records as the Secretary finds to be necessary to determine the degree and intensity of the treatment provided to individuals entitled to hospital insurance benefits under part A;

"(4) meets such staffing requirements as the Secretary finds necessary for the institution to carry out an active program of treatment for individuals who are furnished services in the institution; and

"(5) is accredited by the Joint Commission on Accreditation of Hospitals.

In the case of an institution which satisfies paragraphs (1) and (2) of the preceding sentence and which contains a distinct part which also satisfies paragraphs (3) and (4) of such sentence, such distinct part shall be considered to be a 'psychiatric hospital' if the institution is accredited by the Joint Commission on Accreditation of Hospitals or if such distinct part meets requirements equivalent to such accreditation requirements as determined by the Secretary.

#### "Tuberculosis Hospital

"(g) The term 'tuberculosis hospital' means an institution which—

"(1) is primarily engaged in providing, by or under the supervision of a physician, medical services for the diagnosis and treatment of tuberculosis;

"(2) satisfies the requirements of paragraphs (3) through (8) of subsection (e);

"(3) maintains clinical records on all patients and maintains such records as the Secretary finds to be necessary to determine the degree and intensity of the treatment provided to individuals covered by the insurance program established by part A;

"(4) meets such staffing requirements as the Secretary finds necessary for the institution to carry out an active program of treatment for individuals who are furnished services in the institution; and

"(5) is accredited by the Joint Commission on Accreditation of Hospitals.

In the case of an institution which satisfies paragraphs (1) and (2) of the preceding sentence and which contains a distinct part which also satisfies paragraphs (3) and (4) of such sentence, such distinct part shall be considered to be a 'tuberculosis hospital' if the institution is accredited by the Joint Commission on Accreditation of Hospitals or if such distinct part meets requirements equivalent to such accreditation requirements as determined by the Secretary.

#### "Extended Care Services

"(h) The term 'extended care services' means the following items and services furnished to an inpatient of an extended care facility and (except as provided in paragraphs (3) and (6)) by such extended care facility—

"(1) nursing care provided by or under the supervision of a registered professional nurse;

"(2) bed and board in connection with the furnishing of such nursing care;

"(3) physical, occupational, or speech therapy furnished by the extended care facility or by others under arrangements with them made by the facility;

"(4) medical social services;

"(5) such drugs, biologicals, supplies, appliances, and equipment, furnished for use in the extended care facility, as are ordinarily furnished by such facility for the care and treatment of inpatients;

“(6) medical services provided by an intern or resident-in-training of a hospital with which the facility has in effect a transfer agreement (meeting the requirements of subsection (1)), under a teaching program of such hospital approved as provided in the last sentence of subsection (b), and other diagnostic or therapeutic services provided by a hospital with which the facility has such an agreement in effect; and

“(7) such other services necessary to the health of the patients as are generally provided by extended care facilities; excluding, however, any item or service if it would not be included under subsection (b) if furnished to an inpatient of a hospital.

#### “Post-Hospital Extended Care Services

“(i) The term ‘post-hospital extended care services’ means extended care services furnished an individual after transfer from a hospital in which he was an inpatient for not less than 3 consecutive days before his discharge from the hospital in connection with such transfer. For purposes of the preceding sentence, items and services shall be deemed to have been furnished to an individual after transfer from a hospital, and he shall be deemed to have been an inpatient in the hospital immediately before transfer therefrom, if he is admitted to the extended care facility within 14 days after discharge from such hospital; and an individual shall be deemed not to have been discharged from an extended care facility if, within 14 days after discharge therefrom, he is admitted to such facility or any other extended care facility.

#### “Extended Care Facility

“(j) The term ‘extended care facility’ means (except for purposes of subsection (a) (2)) an institution (or a distinct part of an institution) which has in effect a transfer agreement (meeting the requirements of subsection (1)) with one or more hospitals having agreements in effect under section 1866 and which—

“(1) is primarily engaged in providing to inpatients (A) skilled nursing care and related services for patients who require medical or nursing care, or (B) rehabilitation services for the rehabilitation of injured, disabled, or sick persons;

“(2) has policies, which are developed with the advice of (and with provision of review of such policies from time to time by) a group of professional personnel, including one or more physicians and one or more registered professional nurses, to govern the skilled nursing care and related medical or other services it provides;

“(3) has a physician, a registered professional nurse, or a medical staff responsible for the execution of such policies;

“(4) (A) has a requirement that the health care of every patient must be under the supervision of a physician, and (B) provides for having a physician available to furnish necessary medical care in case of emergency;

“(5) maintains clinical records on all patients;

“(6) provides 24-hour nursing service which is sufficient to meet nursing needs in accordance with the policies developed as provided in paragraph (2), and has at least one registered professional nurse employed full time;

“(7) provides appropriate methods and procedures for the dispensing and administering of drugs and biologicals;

“(8) has in effect a utilization review plan which meets the requirements of subsection (k);

“(9) in the case of an institution in any State in which State or applicable local law provides for the licensing of institutions of this nature, (A) is licensed pursuant to such law, or (B) is approved, by the agency of such State or locality responsible for licensing institutions of this nature, as meeting the standards established for such licensing; and

“(10) meets such other conditions relating to the health and safety of individuals who are furnished services in such institution or relating to the physical facilities thereof as the Secretary may find necessary (subject to the second sentence of section 1863);

except that such term shall not (other than for purposes of subsection (a)(2)) include any institution which is primarily for the care and treatment of mental diseases or tuberculosis. For purposes of subsection (a)(2), such term includes any institution which meets the requirements of paragraph (1) of this subsection. The term ‘extended care facility’ also includes an institution described in paragraph (1) of subsection (y), to the extent and subject to the limitations provided in such subsection.

#### “Utilization Review

“(k) A utilization review plan of a hospital or extended care facility shall be considered sufficient if it is applicable to services furnished by the institution to individuals entitled to insurance benefits under this title and if it provides—

“(1) for the review, on a sample or other basis, of admissions to the institution, the duration of stays therein, and the professional services (including drugs and biologicals) furnished, (A) with respect to the medical necessity of the services, and (B) for the purpose of promoting the most efficient use of available health facilities and services;

“(2) for such review to be made by either (A) a staff committee of the institution composed of two or more physicians, with or without participation of other professional personnel, or (B) a group outside the institution which is similarly composed and (i) which is established by the local medical society and some or all of the hospitals and extended care facilities in the locality, or (ii) if (and for as long as) there has not been established such a group which serves such institution, which is established in such other manner as may be approved by the Secretary;

“(3) for such review, in each case of inpatient hospital services or extended care services furnished to such an individual during a continuous period of extended duration, as of such days of such period (which may differ for different classes of cases) as may be specified in regulations, with such review to be made as promptly as possible, after each day so specified, and in no event later than one week following such day; and

“(4) for prompt notification to the institution, the individual, and his attending physician of any finding (made after opportunity for consultation to such attending physician) by the physician members of such committee or group that any further stay in the institution is not medically necessary.

The review committee must be composed as provided in clause (B) of paragraph (2) rather than as provided in clause (A) of such paragraph in the case of any hospital or extended care facility where, because of the small size of the institution, or (in the case of an

extended care facility) because of lack of an organized medical staff, or for such other reason or reasons as may be included in regulations, it is impracticable for the institution to have a properly functioning staff committee for the purposes of this subsection.

#### "Agreements for Transfer Between Extended Care Facilities and Hospitals

"(1) A hospital and an extended care facility shall be considered to have a transfer agreement in effect if, by reason of a written agreement between them or (in case the two institutions are under common control) by reason of a written undertaking by the person or body which controls them, there is reasonable assurance that—

"(1) transfer of patients will be effected between the hospital and the extended care facility whenever such transfer is medically appropriate as determined by the attending physician; and

"(2) there will be interchange of medical and other information necessary or useful in the care and treatment of individuals transferred between the institutions, or in determining whether such individuals can be adequately cared for otherwise than in either of such institutions.

Any extended care facility which does not have such an agreement in effect, but which is found by a State agency (of the State in which such facility is situated) with which an agreement under section 1864 is in effect (or, in the case of a State in which no such agency has an agreement under section 1864, by the Secretary) to have attempted in good faith to enter into such an agreement with a hospital sufficiently close to the facility to make feasible the transfer between them of patients and the information referred to in paragraph (2), shall be considered to have such an agreement in effect if and for so long as such agency (or the Secretary, as the case may be) finds that to do so is in the public interest and essential to assuring extended care services for persons in the community who are eligible for payments with respect to such services under this title.

#### "Home Health Services

"(m) The term 'home health services' means the following items and services furnished to an individual, who is under the care of a physician, by a home health agency or by others under arrangements with them made by such agency, under a plan (for furnishing such items and services to such individual) established and periodically reviewed by a physician, which items and services are, except as provided in paragraph (7), provided on a visiting basis in a place of residence used as such individual's home—

"(1) part-time or intermittent nursing care provided by or under the supervision of a registered professional nurse;

"(2) physical, occupational, or speech therapy;

"(3) medical social services under the direction of a physician;

"(4) to the extent permitted in regulations, part-time or intermittent services of a home health aide;

"(5) medical supplies (other than drugs and biologicals), and the use of medical appliances, while under such a plan;

"(6) in the case of a home health agency which is affiliated or under common control with a hospital, medical services provided by an intern or resident-in-training of such hospital, under a teaching program of such hospital approved as provided in the last sentence of subsection (b); and

“(7) any of the foregoing items and services which are provided on an outpatient basis, under arrangements made by the home health agency, at a hospital or extended care facility, or at a rehabilitation center which meets such standards as may be prescribed in regulations, and—

“(A) the furnishing of which involves the use of equipment of such a nature that the items and services cannot readily be made available to the individual in such place of residence, or

“(B) which are furnished at such facility while he is there to receive any such item or service described in clause (A), but not including transportation of the individual in connection with any such item or service;

excluding, however, any item or service if it would not be included under subsection (b) if furnished to an inpatient of a hospital.

#### “Post-Hospital Home Health Services

“(n) The term ‘post-hospital home health services’ means home health services furnished an individual within one year after his most recent discharge from a hospital of which he was an inpatient for not less than 3 consecutive days or (if later) within one year after his most recent discharge from an extended care facility of which he was an inpatient entitled to payment under part A for post-hospital extended care services, but only if the plan covering the home health services (as described in subsection (m)) is established within 14 days after his discharge from such hospital or extended care facility.

#### “Home Health Agency

“(o) The term ‘home health agency’ means a public agency or private organization, or a subdivision of such an agency or organization, which—

“(1) is primarily engaged in providing skilled nursing services and other therapeutic services;

“(2) has policies, established by a group of professional personnel (associated with the agency or organization), including one or more physicians and one or more registered professional nurses, to govern the services (referred to in paragraph (1)) which it provides, and provides for supervision of such services by a physician or registered professional nurse;

“(3) maintains clinical records on all patients;

“(4) in the case of an agency or organization in any State in which State or applicable local law provides for the licensing of agencies or organizations of this nature, (A) is licensed pursuant to such law, or (B) is approved, by the agency of such State or locality responsible for licensing agencies or organizations of this nature, as meeting the standards established for such licensing; and

“(5) meets such other conditions of participation as the Secretary may find necessary in the interest of the health and safety of individuals who are furnished services by such agency or organization;

except that such term shall not include a private organization which is not a nonprofit organization exempt from Federal income taxation under section 501 of the Internal Revenue Code of 1954 (or a subdivision of such organization) unless it is licensed pursuant to State law and it meets such additional standards and requirements as may be

prescribed in regulations; and except that for purposes of part A such term shall not include any agency or organization which is primarily for the care and treatment of mental diseases.

#### "Outpatient Hospital Diagnostic Services

"(p) The term 'outpatient hospital diagnostic services' means diagnostic services—

"(1) which are furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital; and

"(2) which are ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study;

excluding, however—

"(3) any item or service if it would not be included under subsection (b) if furnished to an inpatient of a hospital; and

"(4) any services furnished under such arrangements unless furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff.

#### "Physicians' Services

"(q) The term 'physicians' services' means professional services performed by physicians, including surgery, consultation, and home, office, and institutional calls (but not including services described in the last sentence of subsection (b)).

#### "Physician

"(r) The term 'physician', when used in connection with the performance of any function or action, means (1) a doctor of medicine or osteopathy legally authorized to practice medicine and surgery by the State in which he performs such function or action (including a physician within the meaning of section 1101(a)(7)), or (2) a doctor of dentistry or of dental or oral surgery who is legally authorized to practice dentistry by the State in which he performs such function but only with respect to (A) surgery related to the jaw or any structure contiguous to the jaw or (B) the reduction of any fracture of the jaw or any facial bone.

64 Stat. 559.  
42 USC 1301.

#### "Medical and Other Health Services

"(s) The term 'medical and other health services' means any of the following items or services (unless they would otherwise constitute inpatient hospital services, extended care services, or home health services):

"(1) physicians' services;

"(2) services and supplies (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) furnished as an incident to a physician's professional service, of kinds which are commonly furnished in physicians' offices and are commonly either rendered without charge or included in the physicians' bills, and hospital services (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) incident to physicians' services rendered to outpatients;

“(3) diagnostic X-ray tests, diagnostic laboratory tests, and other diagnostic tests;

“(4) X-ray, radium, and radioactive isotope therapy, including materials and services of technicians;

“(5) surgical dressings, and splints, casts, and other devices used for reduction of fractures and dislocations;

“(6) rental of durable medical equipment, including iron lungs, oxygen tents, hospital beds, and wheelchairs used in the patient's home (including an institution used as his home);

“(7) ambulance service where the use of other methods of transportation is contraindicated by the individual's condition, but only to the extent provided in regulations;

“(8) prosthetic devices (other than dental) which replace all or part of an internal body organ, including replacement of such devices; and

“(9) leg, arm, back, and neck braces, and artificial legs, arms, and eyes, including replacements if required because of a change in the patient's physical condition.

No diagnostic tests performed in any laboratory which is independent of a physician's office or a hospital shall be included within paragraph (3) unless such laboratory—

“(10) if situated in any State in which State or applicable local law provides for licensing of establishments of this nature, (A) is licensed pursuant to such law, or (B) is approved, by the agency of such State or locality responsible for licensing establishments of this nature, as meeting the standards established for such licensing; and

“(11) meets such other conditions relating to the health and safety of individuals with respect to whom such tests are performed as the Secretary may find necessary.

#### “Drugs and Biologicals

“(t) The term ‘drugs’ and the term ‘biologicals’, except for purposes of subsection (m) (5) of this section, include only such drugs and biologicals, respectively, as are included (or approved for inclusion) in the United States Pharmacopoeia, the National Formulary, or the United States Homeopathic Pharmacopoeia, or in New Drugs or Accepted Dental Remedies (except for any drugs and biologicals unfavorably evaluated therein), or as are approved by the pharmacy and drug therapeutics committee (or equivalent committee) of the medical staff of the hospital furnishing such drugs and biologicals for use in such hospital.

#### “Provider of Services

“(u) The term ‘provider of services’ means a hospital, extended care facility, or home health agency.

#### “Reasonable Cost

“(v) (1) The reasonable cost of any services shall be determined in accordance with regulations establishing the method or methods to be used, and the items to be included, in determining such costs for various types or classes of institutions, agencies, and services; except that in any case to which paragraph (2) or (3) applies, the amount of the payment determined under such paragraph with respect to the services involved shall be considered the reasonable cost of such services. In prescribing the regulations referred to in the preceding

sentence, the Secretary shall consider, among other things, the principles generally applied by national organizations or established prepayment organizations (which have developed such principles) in computing the amount of payment, to be made by persons other than the recipients of services, to providers of services on account of services furnished to such recipients by such providers. Such regulations may provide for determination of the costs of services on a per diem, per unit, per capita, or other basis, may provide for using different methods in different circumstances, may provide for the use of estimates of costs of particular items or services, and may provide for the use of charges or a percentage of charges where this method reasonably reflects the costs. Such regulations shall (A) take into account both direct and indirect costs of providers of services in order that, under the methods of determining costs, the costs with respect to individuals covered by the insurance programs established by this title will not be borne by individuals not so covered, and the costs with respect to individuals not so covered will not be borne by such insurance programs, and (B) provide for the making of suitable retroactive corrective adjustments where, for a provider of services for any fiscal period, the aggregate reimbursement produced by the methods of determining costs proves to be either inadequate or excessive.

"(2) (A) If the bed and board furnished as part of inpatient hospital services (including inpatient tuberculosis hospital services and inpatient psychiatric hospital services) or post-hospital extended care services is in accommodations more expensive than semi-private accommodations, the amount taken into account for purposes of payment under this title with respect to such services may not exceed an amount equal to the reasonable cost of such services if furnished in such semi-private accommodations unless the more expensive accommodations were required for medical reasons.

"(B) Where a provider of services which has an agreement in effect under this title furnishes to an individual items or services which are in excess of or more expensive than the items or services with respect to which payment may be made under part A or part B, as the case may be, the Secretary shall take into account for purposes of payment to such provider of services only the equivalent of the reasonable cost of the items or services with respect to which such payment may be made.

"(3) If the bed and board furnished as part of inpatient hospital services (including inpatient tuberculosis hospital services and inpatient psychiatric hospital services) or post-hospital extended care services is in accommodations other than, but not more expensive than, semi-private accommodations and the use of such other accommodations rather than semi-private accommodations was neither at the request of the patient nor for a reason which the Secretary determines is consistent with the purposes of this title, the amount of the payment with respect to such bed and board under part A shall be the reasonable cost of such bed and board furnished in semi-private accommodations (determined pursuant to paragraph (1)) minus the difference between the charge customarily made by the hospital or extended care facility for bed and board in semi-private accommodations and the charge customarily made by it for bed and board in the accommodations furnished.

"(4) For purposes of this subsection, the term 'semi-private accommodations' means two-bed, three-bed, or four-bed accommodations.

*Ante*, pp. 291,  
301.

"Semi-private  
accommodations."

“Arrangements for Certain Services

“(w) The term ‘arrangements’ is limited to arrangements under which receipt of payment by the hospital, extended care facility, or home health agency (whether in its own right or as agent), with respect to services for which an individual is entitled to have payment made under this title, discharges the liability of such individual or any other person to pay for the services.

“State and United States

“(x) The terms ‘State’ and ‘United States’ have the meaning given to them by subsections (h) and (i), respectively, of section 210. 74 Stat. 937.  
42 USC 410.

“Post-Hospital Extended Care in Christian Science Extended Care Facilities

“(y) (1) The term ‘extended care facility’ also includes a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts, but only (except for purposes of subsection (a) (2)) with respect to items and services ordinarily furnished by such an institution to inpatients, and payment may be made with respect to services provided by or in such an institution only to such extent and under such conditions, limitations, and requirements (in addition to or in lieu of the conditions, limitations, and requirements otherwise applicable) as may be provided in regulations.

“(2) Notwithstanding any other provision of this title, payment under part A may not be made for services furnished an individual in an extended care facility to which paragraph (1) applies unless such individual elects, in accordance with regulations, for a spell of illness to have such services treated as post-hospital extended care services for purposes of such part; and payment under part A may not be made for post-hospital extended care services—

“(A) furnished an individual during such spell of illness in an extended care facility to which paragraph (1) applies after—

“(i) such services have been furnished to him in such a facility for 30 days during such spell, or

“(ii) such services have been furnished to him during such spell in an extended care facility to which such paragraph does not apply; or

“(B) furnished an individual during such spell of illness in an extended care facility to which paragraph (1) does not apply after such services have been furnished to him during such spell in an extended care facility to which such paragraph applies.

“(3) The amount payable under part A for post-hospital extended care services furnished an individual during any spell of illness in an extended care facility to which paragraph (1) applies shall be reduced by a coinsurance amount equal to one-eighth of the inpatient hospital deductible for each day before the 31st day on which he is furnished such services in such a facility during such spell (and the reduction under this paragraph shall be in lieu of any reduction under section 1813(a)(4)).

Ante, p. 292.

“(4) For purposes of subsection (i), the determination of whether services furnished by or in an institution described in paragraph (1) constitute post-hospital extended care services shall be made in accordance with and subject to such conditions, limitations, and requirements as may be provided in regulations.

"EXCLUSIONS FROM COVERAGE

"SEC. 1862. (a) Notwithstanding any other provision of this title, no payment may be made under part A or part B for any expenses incurred for items or services—

"(1) which are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member;

"(2) for which the individual furnished such items or services has no legal obligation to pay, and which no other person (by reason of such individual's membership in a prepayment plan or otherwise) has a legal obligation to provide or pay for;

"(3) which are paid for directly or indirectly by a governmental entity (other than under this Act and other than under a health benefits or insurance plan established for employees of such an entity), except in such cases as the Secretary may specify;

"(4) which are not provided within the United States (except for emergency inpatient hospital services furnished outside the United States under the conditions described in section 1814 (f));

"(5) which are required as a result of war, or of an act of war, occurring after the effective date of such individual's current coverage under such part;

"(6) which constitute personal comfort items;

"(7) where such expenses are for routine physical checkups, eyeglasses or eye examinations for the purpose of prescribing, fitting, or changing eyeglasses, hearing aids or examinations therefor, or immunizations;

"(8) where such expenses are for orthopedic shoes or other supportive devices for the feet;

"(9) where such expenses are for custodial care;

"(10) where such expenses are for cosmetic surgery or are incurred in connection therewith, except as required for the prompt repair of accidental injury or for improvement of the functioning of a malformed body member;

"(11) where such expenses constitute charges imposed by immediate relatives of such individual or members of his household; or

"(12) where such expenses are for services in connection with the care, treatment, filling, removal, or replacement of teeth or structures directly supporting teeth.

"(b) Payment under this title may not be made with respect to any item or service to the extent that payment has been made, or can reasonably be expected to be made (as determined in accordance with regulations), with respect to such item or service, under a workmen's compensation law or plan of the United States or a State. Any payment under this title with respect to any item or service shall be conditioned on reimbursement to the appropriate Trust Fund established by this title when notice or other information is received that payment for such item or service has been made under such a law or plan.

"CONSULTATION WITH STATE AGENCIES AND OTHER ORGANIZATIONS TO DEVELOP CONDITIONS OF PARTICIPATION FOR PROVIDERS OF SERVICES

"SEC. 1863. In carrying out his functions, relating to determination of conditions of participation by providers of services, under subsections (e) (8), (f) (4), (g) (4), (j) (10), and (o) (5) of section 1861, the Secretary shall consult with the Health Insurance Benefits Advisory Council established by section 1867, appropriate State agencies.

and recognized national listing or accrediting bodies, and may consult with appropriate local agencies. Such conditions prescribed under any of such subsections may be varied for different areas or different classes of institutions or agencies and may, at the request of a State, provide higher requirements for such State than for other States; except that, in the case of any State or political subdivision of a State which imposes higher requirements on institutions as a condition to the purchase of services (or of certain specified services) in such institutions under a State plan approved under title I, XVI, or XIX, the Secretary shall impose like requirements as a condition to the payment for services (or for the services specified by the State or subdivision) in such institutions in such State or subdivision.

**"USE OF STATE AGENCIES TO DETERMINE COMPLIANCE BY PROVIDERS OF SERVICES WITH CONDITIONS OF PARTICIPATION**

"SEC. 1864. (a) The Secretary shall make an agreement with any State which is able and willing to do so under which the services of the State health agency or other appropriate State agency (or the appropriate local agencies) will be utilized by him for the purpose of determining whether an institution therein is a hospital or extended care facility, or whether an agency therein is a home health agency, or whether a laboratory meets the requirements of paragraphs (10) and (11) of section 1861(s). To the extent that the Secretary finds it appropriate, an institution or agency which such a State (or local) agency certifies is a hospital, extended care facility, or home health agency (as those terms are defined in section 1861) may be treated as such by the Secretary. The Secretary may also, pursuant to agreement, utilize the services of State health agencies and other appropriate State agencies (and the appropriate local agencies) to do any one or more of the following: (1) to provide consultative services to institutions or agencies to assist them (A) to establish and maintain fiscal records necessary for purposes of this title, or otherwise to qualify as hospitals, extended care facilities, or home health agencies, or (B) to provide information which may be necessary to permit determination under this title as to whether payments are due and the amounts thereof, and (2) to provide consultative services to institutions, agencies, or organizations to assist in the establishment of utilization review procedures meeting the requirements of section 1861(k) and in evaluating their effectiveness.

"(b) The Secretary shall pay any such State, in advance or by way of reimbursement, as may be provided in the agreement with it (and may make adjustments in such payments on account of overpayments or underpayments previously made), for the reasonable cost of performing the functions specified in subsection (a), and for the Federal Hospital Insurance Trust Fund's fair share of the costs attributable to the planning and other efforts directed toward coordination of activities in carrying out its agreement and other activities related to the provision of services similar to those for which payment may be made under part A, or related to the facilities and personnel required for the provision of such services, or related to improving the quality of such services.

*Ante*, p. 299.

**"EFFECT OF ACCREDITATION**

"SEC. 1865. Except as provided in the second sentence of section 1863, an institution shall be deemed to meet the requirements of the numbered paragraphs of section 1861(e) (except paragraph (6) thereof) if such institution is accredited as a hospital by the Joint Commission on Accreditation of Hospitals. If such Commission, as

a condition for accreditation of a hospital, requires a utilization review plan or imposes another requirement which serves substantially the same purpose, the Secretary is authorized to find that all institutions so accredited by the Commission comply also with section 1861(e)(6). In addition, if the Secretary finds that accreditation of an institution or agency by the American Osteopathic Association or any other national accreditation body provides reasonable assurance that any or all of the conditions of section 1861(e), (j), or (o), as the case may be, are met, he may, to the extent he deems it appropriate, treat such institution or agency as meeting the condition or conditions with respect to which he made such finding.

“AGREEMENTS WITH PROVIDERS OF SERVICES

“SEC. 1866. (a) (1) Any provider of services shall be qualified to participate under this title and shall be eligible for payments under this title if it files with the Secretary an agreement—

“(A) not to charge, except as provided in paragraph (2), any individual or any other person for items or services for which such individual is entitled to have payment made under this title (or for which he would be so entitled if such provider of services had complied with the procedural and other requirements under or pursuant to this title or for which such provider is paid pursuant to the provisions of section 1814(e)), and

“(B) to make adequate provision for return (or other disposition, in accordance with regulations) of any moneys incorrectly collected from such individual or other person.

“(2) (A) A provider of services may charge such individual or other person (i) the amount of any deduction or coinsurance amount imposed pursuant to section 1813(a)(1), (a)(2), or (a)(4), section 1833(b), or section 1861(y)(3) with respect to such items and services (not in excess of the amount customarily charged for such items and services by such provider), and (ii) an amount equal to 20 per centum of the reasonable charges for such items and services (not in excess of 20 per centum of the amount customarily charged for such items and services by such provider) for which payment is made under part B or, in the case of outpatient hospital diagnostic services, for which payment is made under part A. In the case of items and services described in section 1833(c), clause (ii) of the preceding sentence shall be applied by substituting for 20 percent the proportion which is appropriate under such section.

“(B) Where a provider of services has furnished, at the request of such individual, items or services which are in excess of or more expensive than the items or services with respect to which payment may be made under this title, such provider of services may also charge such individual or other person for such more expensive items or services to the extent that the amount customarily charged by it for the items or services furnished at such request exceeds the amount customarily charged by it for the items or services with respect to which payment may be made under this title.

“(C) A provider of services may also charge any such individual for any whole blood furnished him with respect to which a deductible is imposed under section 1813(a)(3), except that (i) any excess of such charge over the cost to such provider for the blood shall be deducted from any payment to such provider under this title, (ii) no such charge may be imposed for the cost of administration of such

blood, and (iii) such charge may not be made to the extent such blood has been replaced on behalf of such individual or arrangements have been made for its replacement on his behalf.

“(b) An agreement with the Secretary under this section may be terminated—

Termination of  
agreements.

“(1) by the provider of services at such time and upon such notice to the Secretary and the public as may be provided in regulations, except that notice of more than 6 months shall not be required, or

“(2) by the Secretary at such time and upon such reasonable notice to the provider of services and the public as may be specified in regulations, but only after the Secretary has determined (A) that such provider of services is not complying substantially with the provisions of such agreement, or with the provisions of this title and regulations thereunder, or (B) that such provider of services no longer substantially meets the applicable provisions of section 1861, or (C) that such provider of services has failed to provide such information as the Secretary finds necessary to determine whether payments are or were due under this title and the amounts thereof, or has refused to permit such examination of its fiscal and other records by or on behalf of the Secretary as may be necessary to verify such information.

Any termination shall be applicable—

“(3) in the case of inpatient hospital services (including inpatient tuberculosis hospital services and inpatient psychiatric hospital services) or post-hospital extended care services, with respect to such services furnished to any individual who is admitted to the hospital or extended care facility furnishing such services on or after the effective date of such termination,

“(4) (A) with respect to home health services furnished to an individual under a plan therefor established on or after the effective date of such termination, or (B) if a plan is established before such effective date, with respect to such services furnished to such individual after the calendar year in which such termination is effective, and

“(5) with respect to any other items and services furnished on or after the effective date of such termination.

“(c) Where an agreement filed under this title by a provider of services has been terminated by the Secretary, such provider may not file another agreement under this title unless the Secretary finds that the reason for the termination has been removed and that there is reasonable assurance that it will not recur.

“(d) If the Secretary finds that there is a substantial failure to make timely review in accordance with section 1861(k) of long-stay cases in a hospital or extended care facility, he may, in lieu of terminating his agreement with such hospital or facility, decide that, with respect to any individual admitted to such hospital or facility after a subsequent date specified by him, no payment shall be made under this title for inpatient hospital services (including inpatient tuberculosis hospital services and inpatient psychiatric hospital services) after the 20th day of a continuous period of such services or for post-hospital extended care services after such day of a continuous period of such care as is prescribed in or pursuant to regulations, as the case may be. Such decision may be made effective only after such notice to the hospital, or (in the case of an extended care facility) to the facility and the hospital or hospitals with which it has a transfer agreement, and to the public, as may be prescribed by regulations, and its effectiveness

shall terminate when the Secretary finds that the reason therefor has been removed and that there is reasonable assurance that it will not recur. The Secretary shall not make any such decision except after reasonable notice and opportunity for hearing to the institution or agency affected thereby.

“HEALTH INSURANCE BENEFITS ADVISORY COUNCIL

“SEC. 1867. For the purpose of advising the Secretary on matters of general policy in the administration of this title and in the formulation of regulations under this title, there is hereby created a Health Insurance Benefits Advisory Council which shall consist of 16 persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the civil service laws. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include persons who are outstanding in fields related to hospital, medical, and other health activities, and at least one person who is representative of the general public. Each member shall hold office for a term of 4 years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, four at the end of the first year, four at the end of the second year, four at the end of the third year, and four at the end of the fourth year after the date of appointment. A member shall not be eligible to serve continuously for more than 2 terms. The Secretary may, at the request of the Council or otherwise, appoint such special advisory professional or technical committees as may be useful in carrying out this title. Members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding \$100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2) for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of 4 or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council.

60 Stat. 808;  
75 Stat. 339,  
340.

“NATIONAL MEDICAL REVIEW COMMITTEE

“SEC. 1868. (a) There is hereby created a National Medical Review Committee (hereinafter in this section referred to as the ‘Committee’) which shall consist of nine persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the civil service laws. The Secretary shall from time to time appoint one of the members to serve as chairman. The members shall be selected from among individuals who are representative of organizations and associations of professional personnel in the field of medicine and other individuals who are outstanding in the field of medicine or in related fields; except that at least one member shall be representative of the general public, and at least a majority of the members shall be physicians. Each member shall hold office for a term of three years, except

that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, three at the end of the first year, three at the end of the second year, and three at the end of the third year after the date of appointment. A member shall not be eligible to serve continuously for more than two terms.

“(b) Members of the Committee, while attending meetings or conferences thereof or otherwise serving on business of the Committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding \$100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

60 Stat. 808;  
75 Stat. 339,  
340.

“(c) It shall be the function of the Committee to study the utilization of hospital and other medical care and services for which payment may be made under this title with a view to recommending any changes which may seem desirable in the way in which such care and services are utilized or in the administration of the programs established by this title, or in the provisions of this title. The Committee shall make an annual report to the Secretary of the results of its study, including any recommendations it may have with respect thereto, and such report shall be transmitted promptly by the Secretary to the Congress.

Report to  
Congress.

“(d) The Committee is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Committee such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the Committee may require to carry out its functions.

#### “DETERMINATIONS; APPEALS

“SEC. 1869. (a) The determination of whether an individual is entitled to benefits under part A or part B, and the determination of the amount of benefits under part A, shall be made by the Secretary in accordance with regulations prescribed by him.

“(b) Any individual dissatisfied with any determination under subsection (a) as to entitlement under part A or part B, or as to amount of benefits under part A where the matter in controversy is \$100 or more, shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205(b), and, in the case of a determination as to entitlement or as to amount of benefits where the amount in controversy is \$1,000 or more, to judicial review of the Secretary's final decision after such hearing as is provided in section 205(g).

42 USC 405.

“(c) Any institution or agency dissatisfied with any determination by the Secretary that it is not a provider of services, or with any determination described in section 1866(b)(2), shall be entitled to a hearing thereon by the Secretary (after reasonable notice and opportunity for hearing) to the same extent as is provided in section 205(b), and to judicial review of the Secretary's final decision after such hearing as is provided in section 205(g).

"OVERPAYMENTS ON BEHALF OF INDIVIDUALS

"SEC. 1870. (a) Any payment under this title to any provider of services or other person with respect to any items or services furnished any individual shall be regarded as a payment to such individual.

"(b) Where—

"(1) more than the correct amount is paid under this title to a provider of services or other person for items or services furnished an individual and the Secretary determines that, within such period as he may specify, the excess over the correct amount cannot be recouped from such provider of services or other person, or

"(2) any payment has been made under section 1814(e) to a provider of services or other person for items or services furnished an individual,

proper adjustments shall be made, under regulations prescribed (after consultation with the Railroad Retirement Board) by the Secretary, by decreasing subsequent payments—

"(3) to which such individual is entitled under title II of this Act or under the Railroad Retirement Act of 1937, as the case may be, or

"(4) if such individual dies before such adjustment has been completed, to which any other individual is entitled under title II of this Act or under the Railroad Retirement Act of 1937, as the case may be, with respect to the wages and self-employment income or the compensation constituting the basis of the benefits of such deceased individual under title II of such Act.

As soon as practicable after any adjustment under paragraph (3) or (4) is determined to be necessary, the Secretary, for purposes of this section, section 1817(g), and section 1841(f), shall certify (to the Railroad Retirement Board if the adjustment is to be made by decreasing subsequent payments under the Railroad Retirement Act of 1937) the amount of the overpayment as to which the adjustment is to be made.

"(c) There shall be no adjustment as provided in subsection (b) (nor shall there be recovery) in any case where the incorrect payment has been made (including payments under section 1814(e)) with respect to an individual who is without fault and where such adjustment (or recovery) would defeat the purposes of title II or would be against equity and good conscience.

"(d) No certifying or disbursing officer shall be held liable for any amount certified or paid by him to any provider of services or other person where the adjustment or recovery of such amount is waived under subsection (c) or where adjustment under subsection (b) is not completed prior to the death of all persons against whose benefits such adjustment is authorized.

"REGULATIONS

"SEC. 1871. The Secretary shall prescribe such regulations as may be necessary to carry out the administration of the insurance programs under this title. When used in this title, the term 'regulations' means, unless the context otherwise requires, regulations prescribed by the Secretary.

42 USC 401.  
Post, pp. 335,  
340, 400.

## "APPLICATION OF CERTAIN PROVISIONS OF TITLE II

42 USC 401-425.

"SEC. 1872. The provisions of sections 206, 208, and 216(j), and of subsections (a), (d), (e), (f), (h), (i), (j), (k), and (l) of section 205, shall also apply with respect to this title to the same extent as they are applicable with respect to title II.

## "DESIGNATION OF ORGANIZATION OR PUBLICATION BY NAME

"SEC. 1873. Designation in this title, by name, of any nongovernmental organization or publication shall not be affected by change of name of such organization or publication, and shall apply to any successor organization or publication which the Secretary finds serves the purpose for which such designation is made.

## "ADMINISTRATION

"SEC. 1874. (a) Except as otherwise provided in this title, the insurance programs established by this title shall be administered by the Secretary. The Secretary may perform any of his functions under this title directly, or by contract providing for payment in advance or by way of reimbursement, and in such installments, as the Secretary may deem necessary.

"(b) The Secretary may contract with any person, agency, or institution to secure on a reimbursable basis such special data, actuarial information, and other information as may be necessary in the carrying out of his functions under this title.

## "STUDIES AND RECOMMENDATIONS

"SEC. 1875. (a) The Secretary shall carry on studies and develop recommendations to be submitted from time to time to the Congress relating to health care of the aged, including studies and recommendations concerning (1) the adequacy of existing personnel and facilities for health care for purposes of the programs under parts A and B; (2) methods for encouraging the further development of efficient and economical forms of health care which are a constructive alternative to inpatient hospital care; and (3) the effects of the deductibles and coinsurance provisions upon beneficiaries, persons who provide health services, and the financing of the program.

"(b) The Secretary shall make a continuing study of the operation and administration of the insurance programs under parts A and B, and shall transmit to the Congress annually a report concerning the operation of such programs."

(b) If—

(1) an individual was eligible to enroll under section 1837(c) of the Social Security Act before April 1, 1966, but failed to enroll before such date, and

(2) it is shown to the satisfaction of the Secretary of Health, Education, and Welfare that there was good cause for such failure to enroll before April 1, 1966,

such individual may enroll pursuant to this subsection at any time before October 1, 1966. The determination of what constitutes good cause for purposes of the preceding sentence shall be made in accordance with regulations of the Secretary. In the case of any individual who enrolls pursuant to this subsection, the coverage period (within the meaning of section 1838 of the Social Security Act) shall begin on the first day of the 6th month after the month in which he so enrolls.

TRANSITIONAL PROVISION ON ELIGIBILITY OF PRESENTLY UNINSURED  
INDIVIDUALS FOR HOSPITAL INSURANCE BENEFITS

SEC. 103. (a) Anyone who—

(1) has attained the age of 65,

(2) (A) attained such age before 1968, or (B) has not less than 3 quarters of coverage (as defined in title II of the Social Security Act or section 5(1) of the Railroad Retirement Act of 1937), whenever acquired, for each calendar year elapsing after 1965 and before the year in which he attained such age,

42 USC 401.  
60 Stat. 733.  
45 USC 228e.

(3) is not, and upon filing application for monthly insurance benefits under section 202 of the Social Security Act would not be, entitled to hospital insurance benefits under section 226 of such Act, and is not certifiable as a qualified railroad retirement beneficiary under section 21 of the Railroad Retirement Act of 1937 (as added by section 105(a) of this Act),

42 USC 402.  
Ante, p. 290.

(4) is a resident of the United States (as defined in section 210(i) of the Social Security Act), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section, and

74 Stat. 937.  
42 USC 410.

(5) has filed an application under this section in such manner and in accordance with such other requirements as may be prescribed in regulations of the Secretary,

shall (subject to the limitations in this section) be deemed, solely for purposes of section 226 of the Social Security Act, to be entitled to monthly insurance benefits under such section 202 for each month, beginning with the first month in which he meets the requirements of this subsection and ending with the month in which he dies, or, if earlier, the month before the month in which he becomes (or upon filing application for monthly insurance benefits under section 202 of such Act would become) entitled to hospital insurance benefits under section 226 or becomes certifiable as a qualified railroad retirement beneficiary. An individual who would have met the preceding requirements of this subsection in any month had he filed application under paragraph (5) hereof before the end of such month shall be deemed to have met such requirements in such month if he files such application before the end of the twelfth month following such month. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), (3), and (4) shall be accepted as an application for purposes of this section.

(b) The provisions of subsection (a) shall not apply to any individual who—

(1) is, at the beginning of the first month in which he meets the requirements of subsection (a), a member of any organization referred to in section 210(a)(17) of the Social Security Act,

70 Stat. 839.  
42 USC 410.  
Post, p. 334.

(2) has, prior to the beginning of such first month, been convicted of any offense listed in section 202(u) of the Social Security Act, or

(3) (A) at the beginning of such first month is covered by an enrollment in a health benefits plan under the Federal Employees Health Benefits Act of 1959,

73 Stat. 708.  
5 USC 3001 note.

(B) was so covered on February 16, 1965, or

(C) could have been so covered for such first month if he or some other person had availed himself of opportunities to enroll in a health benefits plan under such Act and to continue such enrollment (but this subparagraph shall not apply unless he or such other person was a Federal employee at any time after February 15, 1965).

Paragraph (3) shall not apply in the case of any individual for the month (or any month thereafter) in which coverage under such a health benefits plan ceases (or would have ceased if he had had such coverage) by reason of his or some other person's separation from Federal service, if he or such other person was not (or would not have been) eligible to continue such coverage after such separation.

(c) There are authorized to be appropriated to the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) from time to time such sums as the Secretary deems necessary for any fiscal year, on account of—

(1) payments made or to be made during such fiscal year from such Trust Fund under part A of title XVIII of such Act with respect to individuals who are entitled to hospital insurance benefits under section 226 of such Act solely by reason of this section, *Ante*, p. 291.

(2) the additional administrative expenses resulting or expected to result therefrom, and *Ante*, p. 290.

(3) any loss in interest to such Trust Fund resulting from the payment of such amounts, in order to place such Trust Fund in the same position at the end of such fiscal year in which it would have been if the preceding subsections of this section had not been enacted.

SUSPENSION IN CASE OF ALIENS; PERSONS CONVICTED OF SUBVERSIVE ACTIVITIES

SEC. 104. (a)(1) Section 202(t) of the Social Security Act is amended by adding at the end thereof the following new paragraph: *70 Stat. 835. 42 USC 402.*

“(9) No payments shall be made under part A of title XVIII with respect to items or services furnished to an individual in any month for which the prohibition in paragraph (1) against payment of benefits to him is applicable (or would be if he were entitled to any such benefits).”

(2) Section 202(u) of such Act is amended by striking out “and” before the phrase “in determining the amount of any such benefit payable to such individual for any such month,” and inserting after such phrase “and in determining whether such individual is entitled to insurance benefits under part A of title XVIII for any such month.”

(b)(1) No payments shall be made under part B of title XVIII of the Social Security Act with respect to expenses incurred by an individual during any month for which such individual may not be paid monthly benefits under title II of such Act (or for which such monthly benefits would be suspended if he were otherwise entitled thereto) by reason of section 202(t) of such Act (relating to suspension of benefits of aliens who are outside the United States). *Ante*, p. 301.

(2) An individual who has been convicted of any offense under (A) chapter 37 (relating to espionage and censorship), chapter 105 (relating to sabotage), or chapter 115 (relating to treason, sedition,

18 USC 791,  
2151, 2381.  
64 Stat. 991,  
1029.  
50 USC 783,822,  
823.  
50 Stat. 307.  
42 USC 228a-  
228z.

and subversive activities) of title 18 of the United States Code, or (B) section 4, 112, or 113 of the Internal Security Act of 1950, as amended, may not enroll under part B of title XVIII of the Social Security Act.

## RAILROAD RETIREMENT AMENDMENTS

SEC. 105. (a) (1) The Railroad Retirement Act of 1937 is amended by adding after section 20 the following new section:

## "HOSPITAL INSURANCE BENEFITS FOR THE AGED

"SEC. 21. For the purposes of part A of title XVIII of the Social Security Act, in order to provide hospital insurance benefits for annuitants, pensioners, and certain other aged individuals, the Board shall, upon request of the Secretary of Health, Education, and Welfare, certify to the Secretary the name of any individual who has attained age 65 and who (1) is entitled to an annuity or pension under this Act, (2) would be entitled to such an annuity had he (i) ceased compensated service and (in the case of a spouse) had such spouse's husband or wife ceased compensated service and (ii) applied for such annuity, or (3) bears a relationship to an employee which, by reason of section 3(e) of this Act, has been, or would be, taken into account in calculating the amount of an annuity of such employee or his survivors. Such a certification shall include such additional information as may be necessary to carry out the provisions of part A of title XVIII of the Social Security Act, and shall become effective on the date of certification or on such earlier date not more than one year prior to the date of certification as the Board states that such individual first met the requirements for certification. The Board shall notify the Secretary of the date on which such individual no longer meets the requirements of this section."

45 USC 215-228.

(2) For purposes of section 21 of the Railroad Retirement Act of 1937 (and sections 1840, 1843, and 1870 of the Social Security Act), entitlement to an annuity or pension under the Railroad Retirement Act of 1937 shall be deemed to include entitlement under the Railroad Retirement Act of 1935.

73 Stat. 28.  
26 USC 3201.

(b) (1) Section 3201 of the Internal Revenue Code of 1954 (relating to rate of tax on employees under the Railroad Retirement Tax Act) is amended by striking out "the rate of the tax imposed with respect to wages by section 3101 at such time exceeds the rate provided by paragraph (2) of such section 3101 as amended by the Social Security Amendments of 1956" and inserting in lieu thereof "the rate of the tax imposed with respect to wages by section 3101(a) at such time exceeds 2¾ percent (the rate provided by paragraph (2) of section 3101 as amended by the Social Security Amendments of 1956)".

Post, p. 395.

70 Stat. 845.  
73 Stat. 29.  
26 USC 3211.

(2) Section 3211 of such Code (relating to the rate of tax on employee representatives under the Railroad Retirement Tax Act) is amended by striking out "the rate of the tax imposed with respect to wages by section 3101 at such time exceeds the rate provided by paragraph (2) of such section 3101 as amended by the Social Security Amendments of 1956" and inserting in lieu thereof "the rate of the tax imposed with respect to wages by section 3101(a) at such time exceeds 2¾ percent (the rate provided by paragraph (2) of section 3101 as amended by the Social Security Amendments of 1956)".

26 USC 3221.

(3) Section 3221(b) of such Code (relating to the rate of tax on employers under the Railroad Retirement Tax Act) is amended by striking out "the rate of the tax imposed with respect to wages by section 3111 at such time exceeds the rate provided by paragraph (2)

of such section 3111 as amended by the Social Security Amendments of 1956" and inserting in lieu thereof "the rate of the tax imposed with respect to wages by section 3111(a) at such time exceeds 2¾ percent Post, p. 396. (the rate provided by paragraph (2) of section 3111 as amended by the Social Security Amendments of 1956)". 70 Stat. 845.

(4) The amendments made by this subsection shall be effective with respect to compensation paid for services rendered after December 31, 1965.

(c) For amendments preserving relationship between the railroad retirement and old-age, survivors, and disability insurance systems, see section 326 of this Act. Post, p. 400.

#### MEDICAL EXPENSE DEDUCTION

SEC. 106. (a) Subsection (a) of section 213 of the Internal Revenue Code of 1954 (relating to allowance of deduction) is amended to read as follows: 74 Stat. 133. 26 USC 213.

"(a) ALLOWANCE OF DEDUCTION.—There shall be allowed as a deduction the following amounts, not compensated for by insurance or otherwise—

"(1) the amount by which the amount of the expenses paid during the taxable year (reduced by any amount deductible under paragraph (2)) for medical care of the taxpayer, his spouse, and dependents (as defined in section 152) exceeds 3 percent of the adjusted gross income, and 26 USC 152.

"(2) an amount (not in excess of \$150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents."

(b) The second sentence of section 213(b) of such Code (relating to limitation with respect to medicine and drugs) is repealed. Repeal.

(c) Section 213(e) of such Code (relating to definitions) is amended by renumbering paragraph (2) as paragraph (4), and by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) The term 'medical care' means amounts paid— "Medical care."

"(A) for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body,

"(B) for transportation primarily for and essential to medical care referred to in subparagraph (A), or

"(C) for insurance (including amounts paid as premiums under part B of title XVIII of the Social Security Act, relating to supplementary medical insurance for the aged) covering medical care referred to in subparagraphs (A) and (B).

"(2) In the case of an insurance contract under which amounts are payable for other than medical care referred to in subparagraphs (A) and (B) of paragraph (1)—

"(A) no amount shall be treated as paid for insurance to which paragraph (1) (C) applies unless the charge for such insurance is either separately stated in the contract, or furnished to the policyholder by the insurance company in a separate statement,

"(B) the amount taken into account as the amount paid for such insurance shall not exceed such charge, and

"(C) no amount shall be treated as paid for such insurance if the amount specified in the contract (or furnished to the

policyholder by the insurance company in a separate statement) as the charge for such insurance is unreasonably large in relation to the total charges under the contract.

"(3) Subject to the limitations of paragraph (2), premiums paid during the taxable year by a taxpayer before he attains the age of 65 for insurance covering medical care (within the meaning of subparagraphs (A) and (B) of paragraph (1)) for the taxpayer, his spouse, or a dependent after the taxpayer attains the age of 65 shall be treated as expenses paid during the taxable year for insurance which constitutes medical care if premiums for such insurance are payable (on a level payment basis) under the contract for a period of 10 years or more or until the year in which the taxpayer attains the age of 65 (but in no case for a period of less than 5 years)."

72 Stat. 1613.  
26 USC 213.

(d) (1) Section 213 of such Code (relating to medical, dental, etc., expenses) is amended by striking out subsections (c) and (g) of such section.

76 Stat. 821.  
26 USC 72.

(2) (A) Section 72(m) (5) (A) (i) of such Code (relating to special rules applicable to employment annuities and distributions under employee plans) is amended by striking out "section 213(g) (3)" and inserting in lieu thereof "paragraph (7) of this subsection".

(B) Section 72(m) of such Code is further amended by adding at the end thereof the following new paragraph:

"(7) MEANING OF DISABLED.—For purposes of this section, an individual shall be considered to be disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to be disabled unless he furnishes proof of the existence thereof in such form and manner as the Secretary or his delegate may require."

(C) Subparagraphs (A) (iii) and (B) (iii) of section 72(n) (1) of such Code (relating to treatment of certain distributions with respect to contributions by self-employed individuals) are each amended by striking out "section 213(g) (3)" and inserting in lieu thereof "subsection (m) (7)".

78 Stat. 36.  
26 USC 79.

(3) Section 79(b) (1) of such Code (relating to group-term life insurance purchased for employees) is amended by striking out "paragraph (3) of section 213(g), determined without regard to paragraph (4) thereof" and inserting in lieu thereof "section 72(m) (7)".

76 Stat. 809.  
26 USC 401.

(4) Section 401(d) (4) (B) of such Code (relating to additional requirements for qualification of trusts and plans benefiting owner-employees) is amended by striking out "section 213(g) (3)" and inserting in lieu thereof "section 72(m) (7)".

26 USC 405.

(5) Section 405(b) (1) (D) (ii) of such Code (relating to qualified bond purchase plans) is amended by striking out "section 213(g) (3)" and inserting in lieu thereof "section 72(m) (7)".

(e) The amendments made by this section shall apply to taxable years beginning after December 31, 1966.

#### RECEIPTS FOR EMPLOYEES MUST SHOW TAXES SEPARATELY

68A Stat. 747.  
26 USC 6051.

SEC. 107. Section 6051(c) of the Internal Revenue Code of 1954 (relating to additional requirements) is amended by adding at the end thereof the following new sentence: "The statements required under this section shall also show the proportion of the total amount

withheld as tax under section 3101 which is for financing the cost of hospital insurance benefits under part A of title XVIII of the Social Security Act." Post, p. 395.  
Ante, p. 291.

TECHNICAL AND ADMINISTRATIVE AMENDMENTS RELATING TO TRUST FUNDS

SEC. 108. (a) (1) Section 201(a)(3) of the Social Security Act is amended by inserting "(other than sections 3101(b) and 3111(b))" after "chapter 21" each place it appears therein. 70 Stat. 819.  
42 USC 401.

(2) Section 201(a)(4) of such Act is amended by inserting "(other than section 1401(b))" after "chapter 2" and after "such subchapter or chapter".

(3) Section 201(g)(1) of such Act is amended to read as follows:

"(1) (A) There are authorized to be made available for expenditure, out of any or all of the Trust Funds (which for purposes of this paragraph shall include also the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund established by title XVIII), such amounts as the Congress may deem appropriate to pay the costs of the part of the administration of this title and title XVIII for which the Secretary of Health, Education, and Welfare is responsible. During each fiscal year or after the close of such fiscal year (or at both times), the Secretary of Health, Education, and Welfare shall analyze the costs of administration of this title and title XVIII during the appropriate part or all of such fiscal year in order to determine the portion of such costs which should be borne by each of the Trust Funds and shall certify to the Managing Trustee the amount, if any, which should be transferred among such Trust Funds in order to assure that each of the Trust Funds bears its proper share of the costs incurred during such fiscal year for the part of the administration of this title and title XVIII for which the Secretary of Health, Education, and Welfare is responsible. The Managing Trustee is authorized and directed to transfer any such amount (determined under the preceding sentence) among such Trust Funds in accordance with any certification so made.

Ante, pp. 299,  
308.

"(B) The Managing Trustee is directed to pay from the Trust Funds into the Treasury the amounts estimated by him which will be expended, out of moneys appropriated from the general funds in the Treasury, during each calendar quarter by the Treasury Department for the part of the administration of this title and title XVIII for which the Treasury Department is responsible and for the administration of chapters 2 and 21 of the Internal Revenue Code of 1954. Such payments shall be covered into the Treasury as repayment to the account for reimbursement of expenses incurred in connection with such administration of this title and title XVIII and chapters 2 and 21 of the Internal Revenue Code of 1954."

68A Stat. 353,  
415.  
26 USC 1401-  
1403, 3101-3126.

(4) Section 201(g)(2) of such Act is amended by inserting after "the amount estimated by him as taxes" the following: "imposed under section 3101(a)".

(5) Section 201(h) of such Act is amended by inserting "(other than section 226)" after "this title".

(b) Section 218(h)(1) of such Act is amended by striking out "Trust Funds in the ratio in which amounts are appropriated to such Funds pursuant to subsections (a)(3) and (b)(1) of section 201" and inserting in lieu thereof "Trust Funds and the Federal Hospital Insurance Trust Fund in the ratio in which amounts are appropriated to such Funds pursuant to subsection (a)(3) of section 201, subsection (b)(1) of such section, and subsection (a)(1) of section 1817, respectively".

70 Stat. 823.  
42 USC 418.

Ante, p. 299.

79 STAT. 339.

72 Stat. 1055.  
42 USC 1306.

(c) Section 1106(b) of such Act is amended by striking out "and the Federal Disability Insurance Trust Fund" and inserting in lieu thereof "the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund".

ADVISORY COUNCIL ON SOCIAL SECURITY ,

49 Stat. 635.  
42 USC 901-906.

SEC. 109. (a) Title VII of the Social Security Act is amended by adding at the end thereof the following new section :

"ADVISORY COUNCIL ON SOCIAL SECURITY

42 USC 401.  
Ante, pp.299,  
308.

"SEC. 706. (a) During 1968 and every fifth year thereafter, the Secretary shall appoint an Advisory Council on Social Security for the purpose of reviewing the status of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program and the programs under parts A and B of title XVIII, and of reviewing the scope of coverage and the adequacy of benefits under, and all other aspects of, these programs, including their impact on the public assistance programs under this Act.

"(b) Each such Council shall consist of the Commissioner of Social Security, as Chairman, and 12 other persons, appointed by the Secretary without regard to the civil service laws. The appointed members shall, to the extent possible, represent organizations of employers and employees in equal numbers, and represent self-employed persons and the public.

"(c) (1) Any Council appointed hereunder is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition, make available to such Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

"(2) Appointed members of any such Council, while serving on business of the Council (inclusive of travel time), shall receive compensation at rates fixed by the Secretary, but not exceeding \$100 per day and, while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2) for persons in the Government employed intermittently.

60 Stat. 808;  
75 Stat. 339,  
340.  
Reports to  
Congress.

"(d) Each such Council shall submit reports of its findings and recommendations to the Secretary not later than January 1 of the second year after the year in which it is appointed, and such reports and recommendations shall thereupon be transmitted to the Congress and to the Board of Trustees of each of the Trust Funds. The reports required by this subsection shall include—

42 USC 401.

"(1) a separate report with respect to the old-age, survivors, and disability insurance program under title II and of the taxes imposed under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954,

Post, pp.394-  
396.

"(2) a separate report with respect to the hospital insurance program under part A of title XVIII and of the taxes imposed by sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954, and

Ante, p. 291.

“(3) a separate report with respect to the supplementary medical insurance program established by part B of title XVIII and of the financing thereof.

After the date of the transmittal to the Congress of the reports required by this subsection, the Council shall cease to exist.”

(b) Effective January 1, 1966, section 116(e) of the Social Security Amendments of 1956 is repealed.

Repeal.  
74 Stat. 994.  
42 USC 401a.

#### MEANING OF TERM “SECRETARY”

SEC. 110. As used in this Act, and in the provisions of the Social Security Act amended by this Act, the term “Secretary”, unless the context otherwise requires, means the Secretary of Health, Education, and Welfare.

#### ROLE OF THE RAILROAD RETIREMENT BOARD IN THE ADMINISTRATION OF HOSPITAL INSURANCE FOR THE AGED

SEC. 111. (a) The first sentence of section 1874(a) of the Social Security Act is amended to read as follows: “Except as otherwise provided in this title and in the Railroad Retirement Act of 1937, the insurance programs established by this title shall be administered by the Secretary.”

Ante, p. 332.  
Ante, p. 335;  
Post, p. 400.

(b) (1) Section 21 of the Railroad Retirement Act of 1937 (as added by section 105 of this Act) is amended to read as follows:

#### “HOSPITAL INSURANCE BENEFITS FOR THE AGED

“SEC. 21. (a) For the purposes of this section, the Board shall have the same authority to determine the rights of individuals described in subsection (b) of this section to have payments made on their behalf for hospital insurance benefits consisting of inpatient hospital services, post-hospital extended care services, post-hospital home health services, and outpatient hospital diagnostic services (all hereinafter referred to as ‘services’) under section 226, and parts A and C of title XVIII, of the Social Security Act as the Secretary of Health, Education, and Welfare has under such section and such parts with respect to individuals to whom such section and such parts apply. For purposes of section 11, a determination with respect to the rights of an individual under this section shall, except in the case of a provider of services, be considered to be a decision with respect to an annuity.

Ante, p. 290.

45 USC 228k.

“(b) Except as otherwise provided in this section, every individual who—

“(1) has attained age 65, and

“(2) (A) is entitled to an annuity under this Act, or (B) would be entitled to such an annuity had he ceased compensated service and, in the case of a spouse, had such spouse’s husband or wife ceased compensated service, or (C) had been awarded a pension under section 6, or (D) bears a relationship to an employee which, by reason of section 3(e), has been, or would be, taken into account in calculating the amount of an annuity of such employee or his survivors,

45 USC 228f.

45 USC 228c.

shall be certified to the Secretary of Health, Education, and Welfare as a qualified railroad retirement beneficiary under section 226 of the Social Security Act.

“(c) The Board and the Secretary of Health, Education, and Welfare shall furnish each other with such information, records, and doc-

Ante, pp. 290,  
291.

Ante, pp. 306,  
312, 331.  
42 USC 215-228.

Ante, p. 290.

45 USC 2281.

45 USC 228e.

Post, p. 395.  
26 USC 3101.

uments as may be considered necessary to the administration of this section or section 226, and part A of title XVIII, of the Social Security Act.

“(d) For purposes of this section (and sections 1840, 1843, and 1870 of the Social Security Act), entitlement to an annuity or pension under this Act shall be deemed to include entitlement under the Railroad Retirement Act of 1935.

“(e) The rights of individuals described in subsection (b) of this section to have payment made on their behalf for the services referred to in subsection (a) of this section but provided in Canada shall be the same as those of individuals to whom section 226 and part A of title XVIII of the Social Security Act apply, and this subsection shall be administered by the Board as if the provisions of section 226 and part A of title XVIII of the Social Security Act were applicable, as if references to the Secretary of Health, Education, and Welfare were to the Board, as if references to the Federal Hospital Insurance Trust Fund were to the Railroad Retirement Account, as if references to the United States or a State included Canada or a subdivision thereof, and as if the provisions of sections 1862(a)(4), 1863, 1864, 1867, 1868, 1869, 1874(b), and 1875 of such title XVIII were not included in such title. The payments for services herein provided for in Canada shall be made from the Railroad Retirement Account (in accordance with, and subject to, the conditions applicable under section 10(b) in making payment of other benefits) to the hospital, extended care facility, or home health agency providing such services in Canada to individuals to whom subsection (b) of this section applies, but only to the extent that the amount of payments for services otherwise hereunder provided for an individual exceeds the amount payable for like services provided pursuant to the law in effect in the place in Canada where such services are furnished. For the purposes of section 9 of this Act, any overpayment under this subsection shall be treated as if it were an overpayment of an annuity.”

(2) Section 5(k)(2) of such Act is amended—

(A) by striking out subparagraphs (A) and (B) and redesignating subparagraphs (C), (D), and (E) as subparagraphs (A), (B), and (C), respectively;

(B) by striking out the second sentence and the last sentence of subdivision (i) of the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph; and by striking out from such subdivision (i) “the Retirement Account” and inserting in lieu thereof “the Railroad Retirement Account (hereinafter termed ‘Retirement Account’)”;

(C) by adding at the end of the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph the following new subdivision:

“(iii) At the close of the fiscal year ending June 30, 1966, and each fiscal year thereafter, the Board and the Secretary of Health, Education, and Welfare shall determine the amount, if any, which, if added to or subtracted from the Federal Hospital Insurance Trust Fund, would place such fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term ‘employment’ as defined in the Social Security Act and in the Federal Insurance Contributions Act. Such determination shall be made no later than June 15 following the close of the fiscal year. If such amount is to be added to the Federal Hospital Insurance Trust Fund, the Board shall, within ten days after the determination,

certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Federal Hospital Insurance Trust Fund; and if such amount is to be subtracted from the Federal Hospital Insurance Trust Fund the Secretary of Health, Education, and Welfare shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Federal Hospital Insurance Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined under subparagraph (B) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification.”;

(D) by striking out “subparagraph (D)” where it appears in the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph, and inserting in lieu thereof “subparagraph (B)”;

(E) by striking out “subparagraphs (B) and (C)” where it appears in the subparagraph redesignated as subparagraph (B) by subparagraph (A) of this paragraph and inserting in lieu thereof “subparagraph (A)”;

(F) by amending the subparagraph redesignated as subparagraph (C) by subparagraph (A) of this paragraph to read as follows:

“(C) The Secretary of the Treasury is authorized and directed to transfer to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund from the Retirement Account or to the Retirement Account from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Secretary of Health, Education, and Welfare pursuant to the provisions of subparagraph (A), and certified by the Board or the Secretary of Health, Education, and Welfare for transfer from the Retirement Account or from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund.”

(c) (1) Section 3201 of the Internal Revenue Code of 1954 (relating to rate of tax on employees under the Railroad Retirement Tax Act) is amended by striking out “section 3101(a)” and inserting in lieu thereof “section 3101(a) plus the rate imposed by section 3101(b)”. Ante, p. 335.

(2) Section 3211 of such Code (relating to the rate of tax on employee representatives under the Railroad Retirement Tax Act) is amended by striking out “section 3101(a)” and inserting in lieu thereof “section 3101(a) plus the rate imposed by section 3101(b)”. Ante, p. 335.

(3) Section 3221(b) of such Code (relating to the rate of tax on employers under the Railroad Retirement Tax Act) is amended by striking out “section 3111(a)” and inserting in lieu thereof “section 3111(a) plus the rate imposed by section 3111(b)”. Ante, p. 335.

(4) Section 1401(b) (as amended by section 321 of this Act) of such Code (relating to the rate of tax under the Self-Employment Contributions Act) is amended by striking out the last sentence. Post, p. 394.

(5) Section 3101(b) of such Code (relating to the rate of tax on employees under the Federal Insurance Contributions Act) is amended by striking out “, but without regard to the provisions of paragraph (9) thereof insofar as it relates to employees”. Post, p. 395.

79 STAT. 343.

- Post, p. 396. (6) Section 3111(b) of such Code (relating to the rate of tax on employers under the Federal Insurance Contributions Act) is amended by striking out “, but without regard to the provisions of paragraph (9) thereof insofar as it relates to employees”.
- (d) There are authorized to be appropriated to the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) from time to time such sums as the Secretary deems necessary for any fiscal year, on account of—
- (1) payments made or to be made during such fiscal year from such Trust Fund under part A of title XVIII of such Act with respect to individuals who are qualified railroad retirement beneficiaries (as defined in section 226(c) of such Act) and who are not, and upon filing application for monthly insurance benefits under section 202 of such Act would not be, entitled to such benefits if service as an employee (as defined in the Railroad Retirement Act of 1937) after December 31, 1936, had been included in the term “employment” as defined in the Social Security Act,
- (2) the additional administrative expenses resulting or expected to result therefrom, and
- (3) any loss of interest to such Trust Fund resulting from the payment of such amounts,
- in order to place such Trust Fund in the same position at the end of such fiscal year in which it would have been if the individuals described in paragraph (1) had not been entitled to benefits under part A of title XVIII of the Social Security Act.
- (e)(1) The amendments made by the preceding provisions of this section shall apply to the calendar year 1966 or to any subsequent calendar year, but only if the requirement in paragraph (2) has been met with respect to such calendar year.
- (2) The requirement referred to in paragraph (1) shall be deemed to have been met with respect to any calendar year if, as of the October 1 immediately preceding such calendar year, the Railroad Retirement Tax Act provides that the maximum amount of monthly compensation taxable under such Act during all months of such calendar year will be an amount equal to one-twelfth of the maximum wages which the Federal Insurance Contributions Act provides may be counted for such calendar year.
- Ante, p. 299.
- Ante, p. 291.
- Ante, p. 290.
- 42 USC 402.
- Ante, pp. 335, 340 ;  
Post, p. 400.
- 26 USC 3201.
- Post, p. 395.

PART 2--GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

ESTABLISHMENT OF PROGRAMS

- Ante, p. 291. SEC. 121. (a) The Social Security Act is amended by adding at the end thereof (after the new title XVIII added by section 102) the following new title:

“TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

“APPROPRIATION

“SEC. 1901. For the purpose of enabling each State, as far as practicable under the conditions in such State, to furnish (1) medical assistance on behalf of families with dependent children and of aged, blind, or permanently and totally disabled individuals, whose income and resources are insufficient to meet the costs of necessary medical services, and (2) rehabilitation and other services to help such families and individuals attain or retain capability for independence or

self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare, State plans for medical assistance.

“STATE PLANS FOR MEDICAL ASSISTANCE

“SEC. 1902. (a) A State plan for medical assistance must—

“(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

“(2) provide for financial participation by the State equal to not less than 40 per centum of the non-Federal share of the expenditures under the plan with respect to which payments under section 1903 are authorized by this title; and, effective July 1, 1970, provide for financial participation by the State equal to all of such non-Federal share or provide for distribution of funds from Federal or State sources, for carrying out the State plan, on an equalization or other basis which will assure that the lack of adequate funds from local sources will not result in lowering the amount, duration, scope, or quality of care and services available under the plan;

“(3) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for medical assistance under the plan is denied or is not acted upon with reasonable promptness;

“(4) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and including provision for utilization of professional medical personnel in the administration and, where administered locally, supervision of administration of the plan) as are found by the Secretary to be necessary for the proper and efficient operation of the plan;

“(5) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan, except that the determination of eligibility for medical assistance under the plan shall be made by the State or local agency administering the State plan approved under title I or XVI (insofar as it relates to the aged);

“(6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

“(7) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the plan;

“(8) provide that all individuals wishing to make application for medical assistance under the plan shall have opportunity to do so, and that such assistance shall be furnished with reasonable promptness to all eligible individuals;

42 USC 301-  
306, 1381-1385.

42 USC 301 et  
seq.

“(9) provide for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for private or public institutions in which recipients of medical assistance under the plan may receive care or services;

“(10) provide for making medical assistance available to all individuals receiving aid or assistance under State plans approved under titles I, IV, X, XIV, and XVI; and—

“(A) provide that the medical assistance made available to individuals receiving aid or assistance under any such State plan—

“(i) shall not be less in amount, duration, or scope than the medical assistance made available to individuals receiving aid or assistance under any other such State plan, and

“(ii) shall not be less in amount, duration, or scope than the medical or remedial care and services made available to individuals not receiving aid or assistance under any such plan; and

“(B) if medical or remedial care and services are included for any group of individuals who are not receiving aid or assistance under any such State plan and who do not meet the income and resources requirements of the one of such State plans which is appropriate, as determined in accordance with standards prescribed by the Secretary, provide—

“(i) for making medical or remedial care and services available to all individuals who would, if needy, be eligible for aid or assistance under any such State plan and who have insufficient (as determined in accordance with comparable standards) income and resources to meet the costs of necessary medical or remedial care and services, and

“(ii) that the medical or remedial care and services made available to all individuals not receiving aid or assistance under any such State plan shall be equal in amount, duration, and scope;

except that the making available of the services described in paragraph (4) or (14) of section 1905(a) to individuals meeting the age requirement prescribed therein shall not, by reason of this paragraph (10), require the making available of any such services, or the making available of such services of the same amount, duration, and scope, to individuals of any other ages;

“(11) provide for entering into cooperative arrangements with the State agencies responsible for administering or supervising the administration of health services and vocational rehabilitation services in the State looking toward maximum utilization of such services in the provision of medical assistance under the plan;

“(12) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in the diseases of the eye or by an optometrist, whichever the individual may select;

“(13) provide for inclusion of some institutional and some noninstitutional care and services, and, effective July 1, 1967, provide (A) for inclusion of at least the care and services listed in clauses (1) through (5) of section 1905(a), and (B) for

payment of the reasonable cost (as determined in accordance with standards approved by the Secretary and included in the plan) of inpatient hospital services provided under the plan;

“(14) provide that (A) no deduction, cost sharing, or similar charge will be imposed under the plan on the individual with respect to inpatient hospital services furnished him under the plan, and (B) any deduction, cost sharing, or similar charge imposed under the plan with respect to any other medical assistance furnished him thereunder, and any enrollment fee, premium, or similar charge imposed under the plan, shall be reasonably related (as determined in accordance with standards approved by the Secretary and included in the plan) to the recipient's income or his income and resources;

“(15) in the case of eligible individuals 65 years of age or older who are covered by either or both of the insurance programs established by title XVIII, provide—

Ante, p. 291.

“(A) for meeting the full cost of any deductible imposed with respect to any such individual under the insurance program established by part A of such title; and

“(B) where, under the plan, all of any deductible, cost sharing, or similar charge imposed with respect to any such individual under the insurance program established by part B of such title is not met, the portion thereof which is met shall be determined on a basis reasonably related (as determined in accordance with standards approved by the Secretary and included in the plan) to such individual's income or his income and resources;

“(16) provide for inclusion, to the extent required by regulations prescribed by the Secretary, of provisions (conforming to such regulations) with respect to the furnishing of medical assistance under the plan to individuals who are residents of the State but are absent therefrom;

“(17) include reasonable standards (which shall be comparable for all groups) for determining eligibility for and the extent of medical assistance under the plan which (A) are consistent with the objectives of this title, (B) provide for taking into account only such income and resources as are, as determined in accordance with standards prescribed by the Secretary, available to the applicant or recipient and (in the case of any applicant or recipient who would, if he met the requirements as to need, be eligible for aid or assistance in the form of money payments under a State plan approved under title I, IV, X, XIV, or XVI) as would not be disregarded (or set aside for future needs) in determining his eligibility for and amount of such aid or assistance under such plan, (C) provide for reasonable evaluation of any such income or resources, and (D) do not take into account the financial responsibility of any individual for any applicant or recipient of assistance under the plan unless such applicant or recipient is such individual's spouse or such individual's child who is under age 21 or is blind or permanently and totally disabled; and provide for flexibility in the application of such standards with respect to income by taking into account, except to the extent prescribed by the Secretary, the costs (whether in the form of insurance premiums or otherwise) incurred for medical care or for any other type of remedial care recognized under State law;

42 USC 301  
et seq.

"(18) provide that no lien may be imposed against the property of any individual prior to his death on account of medical assistance paid or to be paid on his behalf under the plan (except pursuant to the judgment of a court on account of benefits incorrectly paid on behalf of such individual), and that there shall be no adjustment or recovery (except, in the case of an individual who was 65 years of age or older when he received such assistance, from his estate, and then only after the death of his surviving spouse, if any, and only at a time when he has no surviving child who is under age 21 or is blind or permanently and totally disabled) of any medical assistance correctly paid on behalf of such individual under the plan;

"(19) provide such safeguards as may be necessary to assure that eligibility for care and services under the plan will be determined, and such care and services will be provided, in a manner consistent with simplicity of administration and the best interests of the recipients;

"(20) if the State plan includes medical assistance in behalf of individuals 65 years of age or older who are patients in institutions for mental diseases—

"(A) provide for having in effect such agreements or other arrangements with State authorities concerned with mental diseases, and, where appropriate, with such institutions, as may be necessary for carrying out the State plan, including arrangements for joint planning and for development of alternate methods of care, arrangements providing assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, and arrangements providing for access to patients and facilities, for furnishing information, and for making reports;

"(B) provide for an individual plan for each such patient to assure that the institutional care provided to him is in his best interests, including, to that end, assurances that there will be initial and periodic review of his medical and other needs, that he will be given appropriate medical treatment within the institution, and that there will be a periodical determination of his need for continued treatment in the institution;

"(C) provide for the development of alternate plans of care, making maximum utilization of available resources, for recipients 65 years of age or older who would otherwise need care in such institutions, including appropriate medical treatment and other aid or assistance; for services referred to in section 3(a)(4)(A)(i) and (ii) or section 1603(a)(4)(A)(i) and (ii) which are appropriate for such recipients and for such patients; and for methods of administration necessary to assure that the responsibilities of the State agency under the State plan with respect to such recipients and such patients will be effectively carried out; and

"(D) provide methods of determining the reasonable cost of institutional care for such patients;

"(21) if the State plan includes medical assistance in behalf of individuals 65 years of age or older who are patients in public institutions for mental diseases, show that the State is making satisfactory progress toward developing and implementing a comprehensive mental health program, including provision for utilization of community mental health centers, nursing homes, and other alternatives to care in public institutions for mental diseases; and

“(22) include descriptions of (A) the kinds and numbers of professional medical personnel and supporting staff that will be used in the administration of the plan and of the responsibilities they will have, (B) the standards, for private or public institutions in which recipients of medical assistance under the plan may receive care or services, that will be utilized by the State authority or authorities responsible for establishing and maintaining such standards, (C) the cooperative arrangements with State health agencies and State vocational rehabilitation agencies entered into with a view to maximum utilization of and coordination of the provision of medical assistance with the services administered or supervised by such agencies, and (D) other standards and methods that the State will use to assure that medical or remedial care and services provided to recipients of medical assistance are of high quality.

Notwithstanding paragraph (5), if on January 1, 1965, and on the date on which a State submits its plan for approval under this title, the State agency which administered or supervised the administration of the plan of such State approved under title X (or title XVI, insofar as it relates to the blind) was different from the State agency which administered or supervised the administration of the State plan approved under title I (or title XVI, insofar as it relates to the aged), the State agency which administered or supervised the administration of such plan approved under title X (or title XVI, insofar as it relates to the blind) may be designated to administer or supervise the administration of the portion of the State plan for medical assistance which relates to blind individuals and a different State agency may be established or designated to administer or supervise the administration of the rest of the State plan for medical assistance; and in such case the part of the plan which each such agency administers, or the administration of which each such agency supervises, shall be regarded as a separate plan for purposes of this title (except for purposes of paragraph (10)).

42 USC 1201-  
1206, 1381-  
1385.  
42 USC 301-  
306.

“(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for medical assistance under the plan—

“(1) an age requirement of more than 65 years; or

“(2) effective July 1, 1967, any age requirement which excludes any individual who has not attained the age of 21 and is or would, except for the provisions of section 406(a)(2), be a dependent child under title IV; or

78 Stat. 1042.  
42 USC 606.  
42 USC 601-  
609.

“(3) any residence requirement which excludes any individual who resides in the State; or

“(4) any citizenship requirement which excludes any citizen of the United States.

“(c) Notwithstanding subsection (b), the Secretary shall not approve any State plan for medical assistance if he determines that the approval and operation of the plan will result in a reduction in aid or assistance (other than so much of the aid or assistance as is provided for under the plan of the State approved under this title) provided for eligible individuals under a plan of such State approved under title I, IV, X, XIV, or XVI.

42 USC 301 et  
seq.

"PAYMENT TO STATES

Post, p. 420. "SEC. 1903. (a) From the sums appropriated therefor, the Secretary (except as otherwise provided in this section and section 1117) shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing January 1, 1966—

Ante, p. 301.

42 USC 301 et seq.

"(1) an amount equal to the Federal medical assistance percentage (as defined in section 1905(b)) of the total amount expended during such quarter as medical assistance under the State plan (including expenditures for premiums under part B of title XVIII, for individuals who are recipients of money payments under a State plan approved under title I, IV, X, XIV, or XVI, and other insurance premiums for medical or any other type of remedial care or the cost thereof); plus

"(2) an amount equal to 75 per centum of so much of the sums expended during such quarter (as found necessary by the Secretary for the proper and efficient administration of the State plan) as are attributable to compensation or training of skilled professional medical personnel, and staff directly supporting such personnel, of the State agency (or of the local agency administering the State plan in the political subdivision); plus

"(3) an amount equal to 50 per centum of the remainder of the amounts expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan.

"(b) Notwithstanding the preceding provisions of this section, the amount determined under such provisions for any State for any quarter which is attributable to expenditures with respect to individuals 65 years of age or older who are patients in institutions for mental diseases shall be paid only to the extent that the State makes a showing satisfactory to the Secretary that total expenditures from Federal, State, and local sources for mental health services (including payments to or in behalf of individuals with mental health problems) under State and local public health and public welfare programs for such quarter exceed the average of the total expenditures from such sources for such services under such programs for each quarter of the fiscal year ending June 30, 1965. For purposes of this subsection, expenditures for such services for each quarter in the fiscal year ending June 30, 1965, in the case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the first determination by him under this subsection for such State; and expenditures for such services for any quarter beginning after December 31, 1965, in the case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the determination under this subsection for such State for such quarter; and determinations so made shall be conclusive for purposes of this subsection.

"(c) (1) If the Secretary finds, on the basis of satisfactory information furnished by a State, that the Federal medical assistance percentage for such State applicable to any quarter in the period beginning January 1, 1966, and ending with the close of June 30, 1969, is less than 105 per centum of the Federal share of medical expenditures by the State during the fiscal year ending June 30, 1965 (as determined under paragraph (2)), then 105 per centum of such Federal share shall be the Federal medical assistance percentage (instead of the percentage determined under section 1905(b)) for such State for

such quarter and each quarter thereafter occurring in such period and prior to the first quarter with respect to which such a finding is not applicable.

"(2) For purposes of paragraph (1), the Federal share of medical expenditures by a State during the fiscal year ending June 30, 1965, means the percentage which the excess of—

"(A) the total of the amounts determined under sections 3, 403, 1003, 1403, and 1603 with respect to expenditures by such State during such year as aid or assistance under its State plans approved under titles I, IV, X, XIV, and XVI, over

42 USC 303,603,  
1203,1353,1383.

"(B) the total of the amounts which would have been determined under such sections with respect to such expenditures during such year if expenditures as aid or assistance in the form of medical or any other type of remedial care had not been counted, is of the total expenditures as aid or assistance in the form of medical or any other type of remedial care under such plans during such year.

42 USC 301 et  
seq.

"(d) (1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsections (a), (b), and (c) for such quarter, such estimates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsections, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such other investigation as the Secretary may find necessary.

"(2) The Secretary shall then pay to the State, in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

"(3) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any quarter by the State or any political subdivision thereof with respect to medical assistance furnished under the State plan shall be considered an overpayment to be adjusted under this subsection.

"(4) Upon the making of any estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

"(e) The Secretary shall not make payments under the preceding provisions of this section to any State unless the State makes a satisfactory showing that it is making efforts in the direction of broadening the scope of the care and services made available under the plan and in the direction of liberalizing the eligibility requirements for medical assistance, with a view toward furnishing by July 1, 1975, comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources, including services to enable such individuals to attain or retain independence or self-care.

"OPERATION OF STATE PLANS

"SEC. 1904. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this title, finds—

"(1) that the plan has been so changed that it no longer complies with the provisions of section 1902; or

"(2) that in the administration of the plan there is a failure to comply substantially with any such provision;  
the Secretary shall notify such State agency that further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure), until the Secretary is satisfied that there will no longer be any such failure to comply. Until he is so satisfied he shall make no further payments to such State (or shall limit payments to categories under or parts of the State plan not affected by such failure).

"DEFINITIONS

"SEC. 1905. For purposes of this title—

"(a) The term 'medical assistance' means payment of part or all of the cost of the following care and services (if provided in or after the third month before the month in which the recipient makes application for assistance) for individuals who are—

"(i) under the age of 21,

"(ii) relatives specified in section 406(b)(1) with whom a child is living if such child, except for section 406(a)(2), is (or would, if needy, be) a dependent child under title IV,

"(iii) 65 years of age or older,

"(iv) blind, or

"(v) 18 years of age or older and permanently and totally disabled,

but whose income and resources are insufficient to meet all of such cost—

"(1) inpatient hospital services (other than services in an institution for tuberculosis or mental diseases);

"(2) outpatient hospital services;

"(3) other laboratory and X-ray services;

"(4) skilled nursing home services (other than services in an institution for tuberculosis or mental diseases) for individuals 21 years of age or older;

"(5) physicians' services, whether furnished in the office, the patient's home, a hospital, or a skilled nursing home, or elsewhere;

"(6) medical care, or any other type of remedial care recognized under State law, furnished by licensed practitioners within the scope of their practice as defined by State law;

"(7) home health care services;

"(8) private duty nursing services;

"(9) clinic services;

"(10) dental services;

"(11) physical therapy and related services;

"(12) prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select;

"(13) other diagnostic, screening, preventive, and rehabilitative services;

64 Stat. 551;  
76 Stat. 189,190.  
42 USC 606.  
78 Stat. 1042;  
Post, p. 422.  
42 USC 601-609.

"(14) inpatient hospital services and skilled nursing home services for individuals 65 years of age or over in an institution for tuberculosis or mental diseases; and

"(15) any other medical care, and any other type of remedial care recognized under State law, specified by the Secretary; except that such term does not include—

"(A) any such payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution); or

"(B) any such payments with respect to care or services for any individual who has not attained 65 years of age and who is a patient in an institution for tuberculosis or mental diseases.

"(b) The term 'Federal medical assistance percentage' for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 45 per centum as the square of the per capita income of such State bears to the square of the per capita income of the continental United States (including Alaska) and Hawaii; except that (1) the Federal medical assistance percentage shall in no case be less than 50 per centum or more than 83 per centum, and (2) the Federal medical assistance percentage for Puerto Rico, the Virgin Islands, and Guam shall be 55 per centum. The Federal medical assistance percentage for any State shall be determined and promulgated in accordance with the provisions of subparagraph (B) of section 1101(a) (8); except that the Secretary shall promulgate such percentage as soon as possible after the enactment of this title, which promulgation shall be conclusive for each of the six quarters in the period beginning January 1, 1966, and ending with the close of June 30, 1967."

72 Stat. 1050.  
42 USC 1301.

(b) No payment may be made to any State under title I, IV, X, XIV, or XVI of the Social Security Act with respect to aid or assistance in the form of medical or any other type of remedial care for any period for which such State receives payments under title XIX of such Act, or for any period after December 31, 1969.

42 USC 301  
et seq.  
Ante, p. 343.

(c) (1) Effective January 1, 1966, section 1101(a) (1) of the Social Security Act is amended by striking out "and XVI" and inserting in lieu thereof "XVI, and XIX".

74 Stat. 985;  
76 Stat. 406.  
42 USC 1301.  
66 Stat. 778.  
42 USC 1309.

(2) Section 1109 of such Act is amended to read as follows:

"AMOUNTS DISREGARDED NOT TO BE TAKEN INTO ACCOUNT IN DETERMINING ELIGIBILITY OF OTHER INDIVIDUALS

"SEC. 1109. Any amount which is disregarded (or set aside for future needs) in determining the eligibility of and amount of the aid or assistance for any individual under a State plan approved under title I, IV, X, XIV, XVI, or XIX shall not be taken into consideration in determining the eligibility of and amount of aid or assistance for any other individual under a State plan approved under any other of such titles."

(3) Effective January 1, 1966, section 1115 of such Act is amended by striking out "or XVI", "or 1602", and "or 1603" and inserting in lieu thereof "XVI, or XIX", "1602, or 1902", and "1603, or 1903", respectively.

76 Stat. 192.  
42 USC 1315.

PAYMENT BY STATES OF PREMIUMS FOR SUPPLEMENTARY  
MEDICAL INSURANCE

76 Stat. 194,  
174,195,200.  
42 USC 303,603,  
1203,1353,1383.

SEC. 122. Sections 3(a), 403(a), 1003(a), 1403(a), and 1603(a) of the Social Security Act are each amended by inserting "premiums under part B of title XVIII for individuals who are recipients of money payments under such plan and other" after "expenditures for" in the parenthetical phrase appearing in so much of paragraph (1) thereof as precedes clause (A), and in the parenthetical phrase appearing in paragraph (2) thereof.

TITLE II—OTHER AMENDMENTS RELATING TO  
HEALTH CARE

PART 1—MATERNAL AND CHILD HEALTH AND CRIPPLED  
CHILDREN'S SERVICES

INCREASE IN MATERNAL AND CHILD HEALTH SERVICES

77 Stat. 273.  
42 USC 701.

SEC. 201. (a) The first sentence of section 501 of the Social Security Act is amended by striking out "\$40,000,000" and all that follows and inserting in lieu thereof "\$45,000,000 for the fiscal year ending June 30, 1966, \$50,000,000 for the fiscal year ending June 30, 1967, \$55,000,000 for the fiscal year ending June 30, 1968, \$55,000,000 for the fiscal year ending June 30, 1969, and \$60,000,000 for the fiscal year ending June 30, 1970, and each fiscal year thereafter."

49 Stat. 630.  
42 USC 704.

(b) Section 504 of such Act is amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder for any period after June 30, 1966, unless it makes a satisfactory showing that the State is extending the provision of maternal and child health services in the State with a view to making such services available by July 1, 1975, to children in all parts of the State."

INCREASE IN CRIPPLED CHILDREN'S SERVICES

77 Stat. 273.  
42 USC 711.

SEC. 202. (a) The first sentence of section 511 of the Social Security Act is amended by striking out "\$40,000,000" and all that follows and inserting in lieu thereof "\$45,000,000 for the fiscal year ending June 30, 1966, \$50,000,000 for the fiscal year ending June 30, 1967, \$55,000,000 for the fiscal year ending June 30, 1968, \$55,000,000 for the fiscal year ending June 30, 1969, and \$60,000,000 for the fiscal year ending June 30, 1970, and each fiscal year thereafter."

49 Stat. 632;  
53 Stat. 1381.  
42 USC 714.

(b) Section 514 of such Act is amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding the preceding provisions of this subsection, no payment shall be made to any State thereunder for any period after June 30, 1966, unless it makes a satisfactory showing that the State is extending the provision of crippled children's services in the State with a view to making such services available by July 1, 1975, to children in all parts of the State."

TRAINING OF PROFESSIONAL PERSONNEL FOR THE CARE OF CRIPPLED  
CHILDREN

49 Stat. 631.  
42 USC 711-715.

SEC. 203. (a) Part 2 of title V of the Social Security Act is amended by adding at the end thereof the following new section:

**"TRAINING OF PROFESSIONAL PERSONNEL**

"Sec. 516. There are authorized to be appropriated \$5,000,000 for the fiscal year ending June 30, 1967, \$10,000,000 for the fiscal year ending June 30, 1968, and \$17,500,000 for each fiscal year thereafter, for grants by the Secretary to public or other nonprofit institutions of higher learning for training professional personnel for health and related care of crippled children, particularly mentally retarded children and children with multiple handicaps."

(b) The second sentence of section 514(c) of such Act is amended 53 Stat. 1381. by striking out "section 512(b)" and inserting in lieu thereof "section 42 USC 714. 512(b) or 516".

**PAYMENT FOR INPATIENT HOSPITAL SERVICES**

SEC. 204. (a) Section 503(a) of the Social Security Act is amended 49 Stat. 630. by striking out "and" before clause (7) and by inserting before the 42 USC 703. period at the end thereof the following new clause: "; and (8) effective July 1, 1967, provide for payment of the reasonable cost (as determined in accordance with standards approved by the Secretary and included in the plan) of inpatient hospital services provided under the plan".

(b) Section 513(a) of such Act is amended by striking out "and" 42 USC 713. before clause (6) and by inserting before the period at the end thereof the following new clause: "; and (7) effective July 1, 1967, provide for payment of the reasonable cost (as determined in accordance with standards approved by the Secretary and included in the plan) of inpatient hospital services provided under the plan".

**SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN**

SEC. 205. Part 4 of title V of the Social Security Act is amended 77 Stat. 274. (1) by revising the heading thereof to read as follows: "PART 4— 42 USC 729, 729a. GRANTS FOR SPECIAL MATERNITY AND INFANT CARE PROJECTS, FOR PROJECTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN, AND FOR RESEARCH PROJECTS"; (2) by redesignating section 532 as section 533; and (3) by inserting after section 531 the following new section:

**"SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN**

"Sec. 532. (a) In order to promote the health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, there are authorized to be appropriated \$15,000,000 for the fiscal year ending June 30, 1966, \$35,000,000 for the fiscal year ending June 30, 1967, \$40,000,000 for the fiscal year ending June 30, 1968, \$45,000,000 for the fiscal year ending June 30, 1969, and \$50,000,000 for the fiscal year ending June 30, 1970, for grants as provided in this section.

(b) From the sums appropriated pursuant to subsection (a), the Secretary is authorized to make grants to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, to the State agency of the State administering or supervising the administration of the State plan approved under section 513, to any school of medicine (with appropriate participation by a school of dentistry), and to any teaching hospital affiliated with such a school, to pay not to exceed 75 per centum of the cost of projects of a comprehensive nature for health

care and services for children and youth of school age or for preschool children (to help them prepare to start school). No project shall be eligible for a grant under this section unless it provides (1) for the coordination of health care and services provided under it with, and utilization (to the extent feasible) of, other State or local health, welfare, and education programs for such children, (2) for payment of the reasonable cost (as determined in accordance with standards approved by the Secretary) of inpatient hospital services provided under the project, and (3) that any treatment, correction of defects, or aftercare provided under the project is available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control; and no such project for children and youth of school age shall be considered to be of a comprehensive nature for purposes of this section unless it includes (subject to the limitation in the preceding provisions of this sentence) at least such screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, both medical and dental, as may be provided for in regulations of the Secretary.

“(c) Payment of grants under this section may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine.”

#### EVALUATION AND REPORT

SEC. 206. The Secretary shall submit to the President for transmission to the Congress before July 1, 1969, a full report of the administration of the provisions of section 532 of the Social Security Act (as added by section 205 of this Act), together with an evaluation of the program established thereby and his recommendations as to continuation of and modifications in that program.

#### INCREASE IN CHILD WELFARE SERVICES

42 USC 721.

SEC. 207. Section 521 of the Social Security Act is amended by striking out “\$40,000,000” and all that follows and inserting in lieu thereof “\$40,000,000 for the fiscal year ending June 30, 1965, \$45,000,000 for the fiscal year ending June 30, 1966, \$50,000,000 for the fiscal year ending June 30, 1967, \$55,000,000 for the fiscal year ending June 30, 1968, \$55,000,000 for the fiscal year ending June 30, 1969, and \$60,000,000 for the fiscal year ending June 30, 1970, and each fiscal year thereafter.”

#### DAY CARE SERVICES

76 Stat. 183.

42 USC 727.

42 USC 1308.

SEC. 208. (a) (1) Part 3 of title V of the Social Security Act is amended by striking out section 527.

(2) The second sentence of section 1108 of such Act is amended by striking out “522(a), and 527(a)” and inserting in lieu thereof “and 522(a)” and by striking out “(or, in the case of section 527(a), the minimum)”.

42 USC 722.

(b) Section 522 of such Act is amended to read as follows:

#### “ALLOTMENTS TO STATES

“SEC. 522. The sum appropriated pursuant to section 521 for each fiscal year shall be allotted by the Secretary for use by cooperating State public welfare agencies which have plans developed jointly by the State agency and the Secretary, as follows: He shall allot \$70,000

to each State, and shall allot to each State an amount which bears the same ratio to the remainder of the sum so appropriated for such year as the product of (1) the population of such State under the age of 21 and (2) the allotment percentage of such State (as determined under section 524) bears to the sum of the corresponding products of all the States." 42 USC 724.

(c) Section 523(a)(1)(B) of such Act is amended by striking out "and" at the end of clause (iii) and by inserting after clause (iv) the following new clause:

"(v) that day care provided under the plan will be provided only in facilities (including private homes) which are licensed by the State, or approved (as meeting the standards established for such licensing) by the State agency responsible for licensing facilities of this type, and".

(d) The amendments made by this section shall take effect on January 1, 1966. Effective date.

## PART 2—IMPLEMENTATION OF MENTAL RETARDATION PLANNING

### AUTHORIZATION OF APPROPRIATIONS

SEC. 211. (a) Section 1701 of the Social Security Act is amended by adding at the end thereof the following new sentence: "There are also authorized to be appropriated, for assisting such States in initiating the implementation and carrying out of planning and other steps to combat mental retardation, \$2,750,000 for the fiscal year ending June 30, 1966, and \$2,750,000 for the fiscal year ending June 30, 1967." 77 Stat. 275.  
42 USC 1391.

(b) The first sentence of section 1702 of such Act is amended by inserting "the first sentence of" before "section 1701" and by inserting the following before the period at the end thereof "; and the sums appropriated pursuant to the second sentence of such section for the fiscal year ending June 30, 1966, shall be available for such grants during such year and the next two fiscal years, and sums appropriated pursuant thereto for the fiscal year ending June 30, 1967, shall be available for such grants during such year and the succeeding fiscal year". 42 USC 1392.

## PART 3—PUBLIC ASSISTANCE AMENDMENTS RELATING TO HEALTH CARE

### REMOVAL OF LIMITATIONS ON FEDERAL PARTICIPATION IN ASSISTANCE TO INDIVIDUALS WITH TUBERCULOSIS OR MENTAL DISEASE

SEC. 221. (a)(1) Section 6(a) of the Social Security Act is amended to read as follows:

"(a) For the purposes of this title, the term 'old-age assistance' means money payments to, or (if provided in or after the third month before the month in which the recipient makes application for assistance) medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are 65 years of age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution)."

(2) Section 6(b) of such Act is amended by striking out all that follows clause (12) and inserting in lieu thereof the following: "except that such term does not include any such payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution)."

64 Stat. 549;  
74 Stat. 991;  
Post, p. 415.  
42 USC 306.

74 Stat. 987.  
42 USC 302.

(3) Section 2(a) of such Act is amended (A) by striking out "and" at the end of paragraph (10); (B) by striking out the period at the end of paragraph (11) and inserting in lieu thereof a semicolon; and (C) by adding after paragraph (11) the following new paragraphs:

"(12) if the State plan includes assistance to or in behalf of individuals who are patients in institutions for mental diseases—

"(A) provide for having in effect such agreements or other arrangements with State authorities concerned with mental diseases, and, where appropriate, with such institutions, as may be necessary for carrying out the State plan, including arrangements for joint planning and for development of alternate methods of care, arrangements providing assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, and arrangements providing for access to patients and facilities, for furnishing information, and for making reports;

"(B) provide for an individual plan for each such patient to assure that the institutional care provided to him is in his best interests, including, to that end, assurances that there will be initial and periodic review of his medical and other needs, that he will be given appropriate medical treatment within the institution, and that there will be a periodic determination of his need for continued treatment in the institution;

76 Stat. 173.  
42 USC 303.

"(C) provide for the development of alternate plans of care, making maximum utilization of available resources, for recipients who would otherwise need care in such institutions, including appropriate medical treatment and other assistance; for services referred to in section 3(a)(4)(A)(i) and (ii) which are appropriate for such recipients and for such patients; and for methods of administration necessary to assure that the responsibilities of the State agency under the State plan with respect to such recipients and such patients will be effectively carried out; and

"(D) provide methods of determining the reasonable cost of institutional care for such patients; and

"(13) if the State plan includes assistance to or in behalf of patients in public institutions for mental diseases, show that the State is making satisfactory progress toward developing and implementing a comprehensive mental health program, including provision for utilization of community mental health centers, nursing homes, and other alternatives to care in public institutions for mental diseases."

53 Stat. 1361;  
76 Stat. 179.  
42 USC 303.

(4) Section 3 of such Act is amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding the preceding provisions of this section, the amount determined under such provisions for any State for any quarter which is attributable to expenditures with respect to patients in institutions for mental diseases shall be paid only to the extent that the State makes a showing satisfactory to the Secretary that total expenditures in the State from Federal, State, and local sources for mental health services (including payments to or in behalf of individuals with mental health problems) under State and local public health and public welfare programs for such quarter exceed the average of the total expenditures in the State from such sources for such services under such programs for each quarter of the fiscal year ending June 30, 1965. For purposes of this subsection, expenditures for such services for each quarter in the fiscal year ending June 30, 1965, in the

case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the first determination by him under this subsection for such State; and expenditures for such services for any quarter beginning after December 31, 1965, in the case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the determination under this subsection for such State for such quarter; and determinations so made shall be conclusive for purposes of this subsection."

(b) Section 1006 of such Act is amended by striking out clauses (a) and (b) and inserting in lieu thereof the following: "who is a patient in an institution for tuberculosis or mental diseases". 64 Stat. 554.  
42 USC 1206.

(c) Section 1405 of such Act is amended by striking out clauses (a) and (b) and inserting in lieu thereof the following: "who is a patient in an institution for tuberculosis or mental diseases". 42 USC 1355.

(d) (1) Section 1605(a) of such Act is amended to read as follows: 76 Stat. 204;  
" (a) For purposes of this title, the term 'aid to the aged, blind, or disabled' means money payments to, or (if provided in or after the third month before the month in which the recipient makes application for aid) medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are 65 years of age or older, are blind, or are 18 years of age or over and permanently and totally disabled, but such term does not include— Post, p. 416.  
42 USC 1385.

"(1) any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution); or

"(2) any such payments to or care in behalf of any individual who has not attained 65 years of age and who is a patient in an institution for tuberculosis or mental diseases."

(2) Section 1605(b) of such Act is amended by striking out all that follows clause (12) and inserting in lieu thereof the following:

"except that such term does not include any such payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution)."

(3) Section 1602(a) of such Act (as amended by section 403(e) of this Act) is amended (A) by striking out "and" at the end of paragraph (14); (B) by striking out the period at the end of paragraph (15) and inserting in lieu thereof a semicolon; and (C) by adding after paragraph (15) the following new paragraphs: Post, p. 418.

"(16) if the State plan includes aid or assistance to or in behalf of individuals 65 years of age or older who are patients in institutions for mental diseases—

"(A) provide for having in effect such agreements or other arrangements with State authorities concerned with mental diseases, and, where appropriate, with such institutions, as may be necessary for carrying out the State plan, including arrangements for joint planning and for development of alternate methods of care, arrangements providing assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, and arrangements providing for access to patients and facilities, for furnishing information, and for making reports;

"(B) provide for an individual plan for each such patient to assure that the institutional care provided to him is in his best interests, including, to that end, assurances that there will be initial and periodic review of his medical and other needs, that he will be given appropriate medical treatment

within the institution, and that there will be a periodic determination of his need for continued treatment in the institution;

76 Stat. 200.  
42 USC 1383.

“(C) provide for the development of alternate plans of care, making maximum utilization of available resources, for recipients 65 years of age or older who would otherwise need care in such institutions, including appropriate medical treatment and other aid or assistance; for services referred to in section 1603(a)(4)(A) (i) and (ii) which are appropriate for such recipients and for such patients; and for methods of administration necessary to assure that the responsibilities of the State agency under the State plan with respect to such recipients and such patients will be effectively carried out; and

“(D) provide methods of determining the reasonable cost of institutional care for such patients; and

“(17) if the State plan includes aid or assistance to or in behalf of individuals 65 years of age or older who are patients in public institutions for mental diseases, show that the State is making satisfactory progress toward developing and implementing a comprehensive mental health program, including provision for utilization of community mental health centers, nursing homes, and other alternatives to care in public institutions for mental diseases.”

(4) Section 1603 of such Act is amended by adding at the end thereof the following new subsection:

“(d) Notwithstanding the preceding provisions of this section, the amount determined under such provisions for any State for any quarter which is attributable to expenditures with respect to individuals 65 years of age or older who are patients in institutions for mental diseases shall be paid only to the extent that the State makes a showing satisfactory to the Secretary that total expenditures in the State from Federal, State, and local sources for mental health services (including payments to or in behalf of individuals with mental health problems) under State and local public health and public welfare programs for such quarter exceed the average of the total expenditures in the State from such sources for such services under such programs for each quarter of the fiscal year ending June 30, 1965. For purposes of this subsection, expenditures for such services for each quarter in the fiscal year ending June 30, 1965, in the case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the first determination by him under this subsection for such State; and expenditures for such services for any quarter beginning after December 31, 1965, in the case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the determination under this subsection for such State for such quarter; and determinations so made shall be conclusive for purposes of this subsection.”

42 USC 301 et  
seq.

(e) The amendments made by this section shall apply in the case of expenditures made after December 31, 1965, under a State plan approved under title I, X, XIV, or XVI of the Social Security Act.

## AMENDMENT TO DEFINITION OF MEDICAL ASSISTANCE FOR THE AGED

SEC. 222. (a) Section 6(b) of the Social Security Act is amended by striking out "who are not recipients of old-age assistance" and inserting in lieu thereof "who are not recipients of old-age assistance (except, for any month, for recipients of old-age assistance who are admitted to or discharged from a medical institution during such month)".

74 Stat. 991.  
42 USC 306.

(b) Section 1605(b) of such Act is amended by striking out "who are not recipients of aid to the aged, blind, or disabled" and inserting in lieu thereof "who are not recipients of aid to the aged, blind, or disabled (except, for any month, for recipients of aid to the aged, blind, or disabled who are admitted to or discharged from a medical institution during such month)".

76 Stat. 204.  
42 USC 1385.

(c) The amendments made by this section shall apply in the case of expenditures under a State plan approved under title I or XVI of the Social Security Act with respect to care and services provided under such plan after June 1965.

42 USC 301,  
1385.

## PART 4—MISCELLANEOUS AMENDMENTS RELATING TO HEALTH CARE

## HEALTH STUDY OF RESOURCES RELATING TO CHILDREN'S EMOTIONAL ILLNESS

SEC. 231. (a) The Secretary of Health, Education, and Welfare is authorized, upon the recommendation of the National Advisory Mental Health Council and after securing the advice of experts in pediatrics and child welfare, to make grants for carrying out a program of research into and study of our resources, methods, and practices for diagnosing or preventing emotional illness in children and of treating, caring for, and rehabilitating children with emotional illnesses.

Program grants.

(b) Such grants may be made to one or more organizations, but only on condition that the organization will undertake and conduct, or if more than one organization is to receive such grants, only on condition that such organizations have agreed among themselves to undertake and conduct, a coordinated program of research into and study of all aspects of the resources, methods, and practices referred to in subsection (a).

(c) As used in subsection (b), the term "organization" means a nongovernmental agency, organization, or commission, composed of representatives of leading national medical, welfare, educational, and other professional associations, organizations, or agencies active in the field of mental health of children.

"Organization."

(d) There are authorized to be appropriated for the fiscal year ending June 30, 1966, the sum of \$500,000 to be used for a grant or grants to help initiate the research and study provided for in this section; and the sum of \$500,000 for the succeeding fiscal year for the making of such grants as may be needed to carry the research and study to completion. The terms of any such grant shall provide that the research and study shall be completed not later than two years from the date it is inaugurated; that the grantee shall file annual reports with the Congress, the Secretary, and the Governors of the several States, among others that the grantee may select; and that the final report shall be similarly filed.

Appropriation.

Reports to  
Congress.

TITLE III—SOCIAL SECURITY AMENDMENTS

SHORT TITLE

Old-Age, Survivors, and Disability Insurance Amendments of 1965.  
72 Stat. 1014.  
42 USC 415.

SEC. 300. This title may be cited as the "Old-Age, Survivors, and Disability Insurance Amendments of 1965".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 301. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
-----	\$13.48	\$40	---	\$67	\$44.00	\$68.00
\$13.49	14.00	41	\$68	69	45.00	67.50
14.01	14.48	42	70	70	46.00	69.00
14.49	15.00	43	71	72	47.00	70.50
15.01	15.60	44	73	74	48.00	72.00
15.61	16.20	45	75	76	49.00	73.50
16.21	16.84	46	77	78	50.00	75.00
16.85	17.60	47	79	80	51.00	76.50
17.61	18.40	48	81	81	52.00	78.00
18.41	19.24	49	82	83	53.00	79.50
19.25	20.00	50	84	85	54.00	81.00
20.01	20.64	51	86	87	55.00	82.50
20.65	21.28	52	88	89	56.00	84.00
21.29	21.88	53	90	90	57.00	85.50
21.89	22.28	54	91	92	58.00	87.00
22.29	22.68	55	93	94	59.00	88.50
22.69	23.08	56	95	96	60.00	90.00
23.09	23.44	57	97	97	61.00	91.50
23.45	23.76	58	98	99	62.10	93.20
23.77	24.20	59	100	101	63.20	94.80
24.21	24.60	60	102	102	64.20	96.30
24.61	25.00	61	103	104	65.30	98.00
25.01	25.48	62	105	106	66.40	99.60
25.49	25.92	63	107	107	67.50	101.30
25.93	26.40	64	108	109	68.50	102.80
26.41	26.94	65	110	113	69.60	104.40
26.95	27.46	66	114	118	70.70	106.10
27.47	28.00	67	119	122	71.70	107.60
28.01	28.68	68	120	127	72.80	109.20
28.69	29.25	69	121	132	73.90	110.90
29.26	29.68	70	123	136	74.90	112.40
29.69	30.36	71	137	141	76.00	114.00
30.37	30.92	72	142	146	77.10	116.80
30.93	31.36	73	147	150	78.20	120.00
31.37	32.00	74	151	155	79.20	124.00
32.01	32.60	75	156	160	80.30	128.00
32.61	33.20	76	161	164	81.40	131.20
33.21	33.88	77	165	169	82.40	135.20
33.89	34.50	78	170	174	83.50	139.20
34.51	35.00	79	175	178	84.60	142.40
35.01	35.80	80	179	183	85.60	146.40
35.81	36.40	81	184	188	86.70	150.40
36.41	37.08	82	189	193	87.80	154.40
37.09	37.60	83	194	197	88.90	157.60
37.61	38.20	84	198	202	89.90	161.60
38.21	39.12	85	203	207	91.00	165.60
39.13	39.68	86	208	211	92.10	168.80
39.69	40.33	87	212	216	93.10	172.80
40.34	41.12	88	217	221	94.20	176.80
41.13	41.76	89	222	225	95.30	180.00
41.77	42.44	90	226	230	96.30	184.00
42.45	43.20	91	231	235	97.40	188.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1938 Act, as modified)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
\$43.21	\$43.76	\$92	\$236	\$239	\$98.50	\$191.20
43.77	44.44	93	240	244	99.60	195.20
44.45	44.88	94	245	249	100.60	199.20
44.89	45.60	95	250	253	101.70	202.40
		96	254	258	102.80	206.40
		97	259	263	103.80	210.40
		98	264	267	104.90	213.60
		99	268	272	106.00	217.60
		100	273	277	107.00	221.60
		101	278	281	108.10	224.80
		102	282	286	109.20	228.80
		103	287	291	110.30	232.80
		104	292	295	111.30	236.00
		105	296	300	112.40	240.00
		106	301	305	113.50	244.00
		107	306	309	114.50	247.20
		108	310	314	115.60	251.20
		109	315	319	116.70	255.20
		110	320	323	117.70	258.40
		111	324	328	118.80	262.40
		112	329	333	119.90	266.40
		113	334	337	121.00	269.60
		114	338	342	122.00	273.60
		115	343	347	123.10	277.60
		116	348	351	124.20	280.80
		117	352	356	125.20	284.80
		118	357	361	126.30	288.80
		119	362	365	127.40	292.00
		120	366	370	128.40	296.00
		121	371	375	129.50	298.00
		122	376	379	130.60	299.60
		123	380	384	131.70	301.60
		124	385	389	132.70	303.60
		125	390	393	133.80	305.20
		126	394	398	134.90	307.20
		127	399	403	135.90	309.20
		404	407	407	137.00	310.80
		408	412	412	138.00	312.80
		413	417	417	139.00	314.80
		418	421	421	140.00	316.40
		422	426	426	141.00	318.40
		427	431	431	142.00	320.40
		432	436	436	143.00	322.40
		437	440	440	144.00	324.00
		441	445	445	145.00	326.00
		446	450	450	146.00	328.00
		451	454	454	147.00	329.60
		455	459	459	148.00	331.60
		460	464	464	149.00	333.60
		465	468	468	150.00	335.20
		469	473	473	151.00	337.20
		474	478	478	152.00	339.20
		479	482	482	153.00	340.80
		483	487	487	154.00	342.80
		488	492	492	155.00	344.80
		493	496	496	156.00	346.40
		497	501	501	157.00	348.40
		502	506	506	158.00	350.40
		507	510	510	159.00	352.00
		511	515	515	160.00	354.00
		516	520	520	161.00	356.00
		521	524	524	162.00	357.60
		525	529	529	163.00	359.60
		530	534	534	164.00	361.60
		535	538	538	165.00	363.20
		539	543	543	166.00	365.20
		544	548	548	167.00	367.20
		549	550	550	168.00	368.00"

72 Stat. 1016.  
42 USC 415.

(b) Section 215(c) of such Act is amended to read as follows:

“Primary Insurance Amount Under 1958 Act, as Modified

“(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed as provided in, and subject to the limitations specified in, (A) this section as in effect prior to the enactment of the Social Security Amendments of 1965, and (B) the applicable provisions of the Social Security Amendments of 1960.

74 Stat. 924.  
42 USC 301 note.

“(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before the date of enactment of the Social Security Amendments of 1965 or who died before such date.”

64 Stat. 482;  
70 Stat. 815.  
42 USC 402,423.  
74 Stat. 1017;  
Post, p. 378.  
42 USC 403.

(c) Section 203(a) of such Act is amended by striking out paragraphs (2) and (3) and inserting in lieu thereof the following:

“(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for any month which begins after December 1964 and before the enactment of the Social Security Amendments of 1965, on the basis of the wages and self-employment income of such insured individual, such total of benefits for any month occurring after December 1964 shall not be reduced to less than the larger of—

“(A) the amount determined under this subsection without regard to this paragraph, or

“(B) (i) with respect to the month in which such Amendments are enacted or any prior month, an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of such Amendments, for each such person (other than a person who would not be entitled to such benefits for such month without the application of the amendments made by section 306 of the Social Security Amendments of 1965), for such month, by 107 percent and raising each such increased amount, if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, and

70 Stat. 817;  
75 Stat. 131.  
42 USC 422,402.

“(ii) with respect to any month after the month in which such Amendments are enacted, an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of such Amendments, for each such person (other than a person who would not be entitled to such benefits for such month without the application of the amendments made by section 306 of the Social Security Amendments of 1965) for the month of enactment, by 107 percent and raising each such increased amount, if it is not a multiple of \$0.10, to the next higher multiple of \$0.10;

but in any such case (I) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B) of this paragraph, and (II) if section 202(k)(2)(A) was applicable in the case of any of such benefits for any such month beginning before the enactment of the Social Secu-

64 Stat. 487.  
42 USC 402.

Amendments of 1965, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which such section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for such month beginning prior to such enactment." 42 USC 402.

(d) The amendments made by subsections (a), (b), and (c) of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1964 and with respect to lump-sum death payments under such title in the case of deaths occurring in or after the month in which this Act is enacted. 42 USC 401.

(e) If an individual is entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1964 on the basis of an application filed after enactment of this Act and is entitled to old-age insurance benefits under section 202(a) of such Act for January 1965, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable) the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to his disability insurance benefit. 70 Stat. 815.  
42 USC 423.  
42 USC 402.  
75 Stat. 135;  
Post, p. 370.  
42 USC 415.  
Ante, p. 361.

#### COMPUTATION AND RECOMPUTATION OF BENEFITS

SEC. 302. (a) (1) Subparagraph (C) of section 215 (b) (2) of the Social Security Act is amended to read as follows: 74 Stat. 960.

"(C) For purposes of subparagraph (B), 'computation base years' include only calendar years in the period after 1950 and prior to the earlier of the following years— 42 USC 415.

"(i) the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month for which the individual was entitled to old-age insurance benefits, or 64 Stat. 487.  
42 USC 402.

"(ii) the year succeeding the year in which he died.

Any calendar year all of which is included in a period of disability shall not be included as a computation base year."

(2) Clauses (A), (B), and (C) of the first sentence of section 215(b)(3) of such Act are amended to read as follows: 75 Stat. 135.

"(A) in the case of a woman, the year in which she died or, if it occurred earlier but after 1960, the year in which she attained age 62,

"(B) in the case of a man who has died, the year in which he died or, if it occurred earlier but after 1960, the year in which he attained age 65, or

"(C) in the case of a man who has not died, the year occurring after 1960 in which he attained (or would attain) age 65."

(3) Paragraphs (4) and (5) of section 215(b) of such Act are amended to read as follows: 74 Stat. 960.

"(4) The provisions of this subsection shall be applicable only in the case of an individual—

"(A) who becomes entitled, after December 1965, to benefits under section 202(a) or section 223; or 64 Stat. 482;

"(B) who dies after December 1965 without being entitled to benefits under section 202(a) or section 223; or 70 Stat. 815.  
42 USC 402, 423.

"(C) whose primary insurance amount is required to be recomputed under subsection (f)(2), as amended by the Social Security Amendments of 1965; 70 Stat. 815.  
Post, p. 365.

except that it shall not apply to any such individual for purposes of monthly benefits for months before January 1966.

"(5) For the purposes of column III of the table appearing in subsection (a) of this section, the provisions of this subsection, as in effect prior to the enactment of the Social Security Amendments of 1965, shall apply—

"(A) in the case of an individual to whom the provisions of this subsection are not made applicable by paragraph (4), but who, on or after the date of the enactment of the Social Security Amendments of 1965 and prior to 1966, met the requirements of this paragraph or paragraph (4), as in effect prior to such enactment, and

"(B) with respect to monthly benefits for months before January 1966, in the case of an individual to whom the provisions of this subsection are made applicable by paragraph (4)."

74 Stat. 961.  
42 USC 415.

(b) (1) Subparagraph (A) of section 215(d)(1) of such Act is amended by striking out "(2)(C)(i) and (3)(A)(i)" and inserting in lieu thereof "(2)(C) and (3)", by striking out "December 31, 1936," and inserting in lieu thereof "1936", and by striking out "December 31, 1950" and inserting in lieu thereof "1950".

(2) Section 215(d)(3) of such Act is amended by striking out "1960" and inserting in lieu thereof "1965" and by striking out "but without regard to whether such individual has six quarters of coverage after 1950".

64 Stat. 508.

(c) Section 215(e) of such Act is amended by inserting "and" after the semicolon at the end of paragraph (1), by striking out "; and" at the end of paragraph (2) and inserting in lieu thereof a period, and by striking out paragraph (3).

68 Stat. 1066.

(d) (1) Paragraph (2) of section 215(f) of such Act is amended to read as follows:

"(2) With respect to each year—

"(A) which begins after December 31, 1964, and

"(B) for any part of which an individual is entitled to old-age insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulations prescribe, recompute the primary insurance amount of such individual. Such recomputation shall be made—

"(C) as provided in subsection (a) (1) and (3) if such year is either the year in which he became entitled to such old-age insurance benefits or the year preceding such year, or

"(D) as provided in subsection (a)(1) in any other case; and in all cases such recomputation shall be made as though the year with respect to which such recomputation is made is the last year of the period specified in paragraph (2)(C) of subsection (b). A recomputation under this paragraph with respect to any year shall be effective—

"(E) in the case of an individual who did not die in such year, for monthly benefits beginning with benefits for January of the following year; or

"(F) in the case of an individual who died in such year (including any individual whose increase in his primary insurance amount is attributable to compensation which, upon his death, is treated as remuneration for employment under section 205 (o)), for monthly benefits beginning with benefits for the month in which he died."

64 Stat. 520.  
42 USC 405.

(2) Effective January 2, 1966, paragraphs (3), (4), and (7) of such section are repealed, and paragraphs (5) and (6) of such section are redesignated as paragraphs (3) and (4), respectively.

(e)(1) The first sentence of section 223(a)(2) of such Act is amended by inserting before the period at the end thereof "and was entitled to an old-age insurance benefit for each month for which (pursuant to subsection (b)) he was entitled to a disability insurance benefit". 74 Stat. 964; Post, p. 370. 42 USC 423.

(2) The last sentence of section 223(a)(2) of such Act is amended by striking out "first year" and inserting in lieu thereof "year"; and by striking out the phrase "both was fully insured and had" both times it appears in such sentence.

(f)(1) The amendments made by subsection (c) shall apply only to individuals who become entitled to old-age insurance benefits under section 202(a) of the Social Security Act after 1965. 64 Stat. 482. 42 USC 402.

(2) Any individual who would, upon filing an application prior to January 2, 1966, be entitled to a recomputation of his monthly benefit amount for purposes of title II of the Social Security Act shall be deemed to have filed such application on the earliest date on which such application could have been filed, or on the day on which this Act is enacted, whichever is the later. 42 USC 401.

(3) In the case of an individual who died after 1960 and prior to 1966 and who was entitled to old-age insurance benefits under section 202(a) of the Social Security Act at the time of his death, the provisions of sections 215(f)(3)(B) and 215(f)(4) of such Act as in effect before the enactment of this Act shall apply. Ante, p. 365.

(4) In the case of a man who attains age 65 prior to 1966, or dies before such year, the provisions of section 215(f)(7) of the Social Security Act as in effect before the enactment of this Act shall apply.

(5) The amendments made by subsection (e) of this section shall apply in the case of individuals who become entitled to disability insurance benefits under section 223 of the Social Security Act after December 1965. 70 Stat. 815. 42 USC 423.

(6) Section 303(g)(1) of the Social Security Amendments of 1960 is amended— 74 Stat. 964. 42 USC 415 note.

(A) by striking out "notwithstanding the amendments made by the preceding subsections of this section," in the first sentence and inserting in lieu thereof "notwithstanding the amendments made by the preceding subsections of this section, or the amendments made by section 302 of the Social Security Amendments of 1965,"; and

(B) by striking out "Social Security Amendments of 1960," in the second sentence and inserting in lieu thereof "Social Security Amendments of 1960, or (if such individual becomes entitled to old-age insurance benefits after 1965, or dies after 1965 without becoming so entitled) as amended by the Social Security Amendments of 1965,".

(7) Effective January 2, 1966, subparagraph (B) of section 102(f)(2) of the Social Security Amendments of 1954 is repealed. 68 Stat. 1070. 42 USC 415 note.

#### DISABILITY INSURANCE BENEFITS

SEC. 303. (a)(1) Clause (A) of the first sentence of section 216(i)(1) of the Social Security Act is amended by striking out "or to be of long-continued and indefinite duration" and inserting in lieu thereof "or has lasted or can be expected to last for a continuous period of not less than 12 months". 68 Stat. 1080. 42 USC 416.

79 STAT. 367.

70 Stat. 815.  
42 USC 423.

(2) So much of section 223(c) (2) of such Act as precedes the second sentence thereof is amended to read as follows:

“(2) The term ‘disability’ means—

“(A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months; or”.

Post, p. 370.  
42 USC 416.

“Period of disability.”

(b) (1) Paragraph (2) of section 216(i) of such Act is amended to read as follows:

“(2) (A) The term ‘period of disability’ means a continuous period (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)), but only if such period is of not less than 6 full calendar months’ duration or such individual was entitled to benefits under section 223 for one or more months in such period.

42 USC 423.

“(B) No period of disability shall begin as to any individual unless such individual files an application for a disability determination with respect to such period; and no such period shall begin as to any individual after such individual attains the age of 65.

“(C) A period of disability shall begin—

“(i) on the day the disability began, but only if the individual satisfies the requirements of paragraph (3) on such day; or

“(ii) if such individual does not satisfy the requirements of paragraph (3) on such day, then on the first day of the first quarter thereafter in which he satisfies such requirements.

“(D) A period of disability shall end with the close of whichever of the following months is the earlier: (i) the month preceding the month in which the individual attains age 65, or (ii) the second month following the month in which the disability ceases.

“(E) No application for a disability determination which is filed more than 12 months after the month prescribed by subparagraph (D) as the month in which the period of disability ends (determined without regard to subparagraph (B) and this subparagraph) shall be accepted as an application for purposes of this paragraph.”

(2) Section 216(i) (3) of such Act is amended by striking out “clauses (A) and (B) of paragraph (2)” and inserting in lieu thereof “clauses (i) and (ii) of paragraph (2) (C)”.

(3) Subparagraph (D) of section 223(a) (1) of such Act is amended by striking out “at the time such application is filed,”. So much of such section 223(a) (1) as follows subparagraph (D) is amended by striking out “the first month for which he is entitled to old-age insurance benefits,”.

72 Stat. 1020.  
42 USC 423.

(4) Section 223(c) (3) (A) of such Act is amended by striking out “which continues until such application is filed”.

(c) Section 223(b) of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: “An individual who would have been entitled to a disability insurance benefit for any month had he filed application therefor before the end of such month shall be entitled to such benefit for such month if he files such application before the end of the 12th month immediately succeeding such month.”

64 Stat. 487.  
42 USC 402.

(d) The second sentence of section 202(j) (1) of such Act is amended by inserting “under this title” after “Any benefit”.

75 Stat. 135;  
Post, p. 370.  
42 USC 415.

(e) So much of section 215(a) (4) of such Act as precedes “the amount in column IV” is amended to read as follows:

“(4) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which he died, became entitled to old-age insurance benefits, or attained age 65,”.

(f) (1) The amendments made by subsection (a), paragraphs (3) and (4) of subsection (b), and subsections (c) and (d), and the provisions of subparagraphs (B) and (E) of section 216(i) (2) of the Social Security Act (as amended by subsection (b) (1) of this section), shall be effective with respect to applications for disability insurance benefits under section 223, and for disability determinations under section 216(i), of the Social Security Act filed—

Ante, p. 367.

70 Stat. 815.  
42 USC 423.

(A) in or after the month in which this Act is enacted, or

(B) before the month in which this Act is enacted, if the applicant has not died before such month and if—

(i) notice of the final decision of the Secretary of Health, Education, and Welfare has not been given to the applicant before such month; or

(ii) the notice referred to in subparagraph (i) has been so given before such month but a civil action with respect to such final decision is commenced under section 205(g) of the Social Security Act (whether before, in, or after such month) and the decision in such civil action has not become final before such month;

53 Stat. 1370.  
42 USC 405.

except that no monthly insurance benefits under title II of the Social Security Act shall be payable or increased by reason of the amendments made by subsections (a) and (b) for months before the second month following the month in which this Act is enacted. The preceding sentence shall also be applicable in the case of applications for monthly insurance benefits under title II of the Social Security Act based on the wages and self-employment income of an applicant with respect to whose application for disability insurance benefits under section 223 of such Act such preceding sentence is applicable.

42 USC 401.

(2) The amendment made by subsection (e) shall apply in the case of the primary insurance amounts of individuals who attain age 65 after the date of enactment of this Act.

**PAYMENT OF DISABILITY INSURANCE BENEFITS AFTER ENTITLEMENT TO OTHER MONTHLY INSURANCE BENEFITS**

SEC. 304. (a) Section 202(k) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

64 Stat. 487.  
42 USC 402.

“(4) Any individual who, under this section and section 223, is entitled for any month to both an old-age insurance benefit and a disability insurance benefit under this title shall be entitled to only the larger of such benefits for such month, except that, if such individual so elects, he shall instead be entitled to only the smaller of such benefits for such month.”

(b) The heading of section 202(q) of such Act is amended to read as follows:

75 Stat. 131;  
Post, p. 374.

“Reduction of Old-Age, Disability, Wife’s, Husband’s, or Widow’s Insurance Benefit Amounts”

(c) Section 202(q) of such Act is further amended by renumbering paragraphs (2), (3), (4), (5), (6), and (7) as paragraphs (3), (4), (5), (6), (7), and (8), respectively, by renumbering the cross references in such section accordingly, and by inserting after paragraph (1) the following new paragraph:

“(2) If an individual is entitled to a disability insurance benefit for a month after a month for which such individual was entitled to an old-age insurance benefit, such disability insurance benefit for each month shall be reduced by the amount such old-age insurance

benefit would be reduced under paragraphs (1) and (4) for such month had such individual attained age 65 in the first month for which he most recently became entitled to a disability insurance benefit."

(d) Subparagraph (B) of paragraph (3) (as redesignated by subsection (c) of this section) of section 202(q) of such Act is amended by—

(1) striking out "benefit," the first time it appears and inserting in lieu thereof "benefit and is not entitled to a disability insurance benefit,";

(2) striking out in clause (i) thereof "(1)," and inserting in lieu thereof "(1) for such month,"; and

(3) striking out in clause (ii) thereof "(1)" and inserting in lieu thereof "(1) for such month".

(e) Subparagraph (C) of paragraph (3) (as redesignated by subsection (c) of this section) of section 202(q) of such Act is amended to read as follows:

"(C) For any month for which such individual is entitled to a disability insurance benefit, such individual's wife's, husband's, or widow's insurance benefit shall be reduced by the sum of—

"(i) the amount by which such disability insurance benefit is reduced under paragraph (2) for such month (if such paragraph applied to such benefit), and

"(ii) the amount by which such wife's, husband's, or widow's insurance benefit would be reduced under paragraph (1) for such month if it were equal to the excess of such wife's, husband's, or widow's insurance benefit (before reduction under this subsection) over such disability insurance benefit (before reduction under this subsection)."

(f) Paragraph (3) (as redesignated by subsection (c) of this section) of section 202(q) is further amended by adding after subparagraph (E) (added by section 307(b)(4) of this Act) the following new subparagraphs:

"(F) If the first month for which an individual is entitled to a disability insurance benefit (when such first month occurs with or after the month in which such individual attains the age of 62) is a month for which such individual is also (or would, but for subsection (e) (1), be) entitled to a widow's insurance benefit to which such individual was first entitled for a month before she attained retirement age, then such disability insurance benefit for each month shall be reduced by whichever of the following is larger:

"(i) the amount by which (but for this subparagraph) such disability insurance benefit would have been reduced under paragraph (2), or

"(ii) the amount equal to the sum of the amount by which such widow's insurance benefit was reduced for the month in which such individual attained retirement age and the amount by which such disability insurance benefit would be reduced under paragraph (2) if it were equal to the excess of such disability insurance benefit (before reduction under this subsection) over such widow's insurance benefit (before reduction under this subsection).

"(G) If the first month for which an individual is entitled to a disability insurance benefit (when such first month occurs before the month in which such individual attains the age of 62) is a month for which such individual is also (or would, but for subsection (e) (1), be) entitled to a widow's insurance benefit, then such disability insurance benefit for each month shall be reduced by the amount such widow's insurance benefit would be reduced under paragraphs (1) and

(4) for such month had such individual attained age 62 in the first month for which he most recently became entitled to a disability insurance benefit."

(g) Paragraph (4) (as redesignated by subsection (c) of this section) of section 202(q) of such Act is amended by striking out in subparagraph (A) thereof "under" and inserting in lieu thereof: "under paragraph (1) or (3) of".

(h) Paragraph (7) (as redesignated by subsection (c) of this section and as amended by section 307(b)(7) of this Act) of section 202(q) of such Act is amended by adding after subparagraph (E) the following new subparagraph:

"(F) in the case of old-age insurance benefits, any month for which such individual was entitled to a disability insurance benefit."

(i) Paragraph (8) (as redesignated by subsection (c) of this section) of section 202(q) of such Act is amended by striking out "(1)" and inserting in lieu thereof "(1); (2);".

(j) Section 202(r)(2) of such Act is amended by inserting after "eligible" the following: "(but for section 202(k)(4))".

75 Stat. 133.  
42 USC 402.  
Ante, p. 368.  
75 Stat. 135.  
42 USC 415.

(k) Section 215(a)(4) of such Act is amended by striking out "such disability insurance benefit" and inserting in lieu thereof "the primary insurance amount upon which such disability insurance benefit is based".

(l) Section 216(i)(2) of such Act is amended by striking out "(subject to section 223(a)(3))".

42 USC 416.  
Ante, p. 367.  
74 Stat. 964;  
Ante, p. 366.  
42 USC 423.

(m) Section 223(a)(2) of such Act is amended by striking out the word "Such" and inserting in lieu thereof "Except as provided in section 202(q), such".

(n) Section 223(a)(3) of such Act is repealed.

(o) The amendments made by this section shall apply with respect to monthly insurance benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

42 USC 401.

#### DISABILITY INSURANCE TRUST FUND

SEC. 305. (a) Section 201(b)(1) of the Social Security Act is amended by inserting "and before January 1, 1966," after "December 31, 1956," and by inserting after "1954," the following: "and 0.70 of 1 per centum of the wages (as so defined) paid after December 31, 1965, and so reported."

70 Stat. 820.  
42 USC 401.

(b) Section 201(b)(2) of such Act is amended by inserting after "December 31, 1956," the following: "and before January 1, 1966, and 0.525 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965,".

#### PAYMENT OF CHILD'S INSURANCE BENEFITS AFTER ATTAINMENT OF AGE 18 IN CASE OF CHILD ATTENDING SCHOOL

SEC. 306. (a) Section 202(d)(1)(B) of the Social Security Act is amended to read as follows:

72 Stat. 1022.  
42 USC 402.

"(B) at the time such application was filed was unmarried and

(i) either had not attained the age of 18 or was a full-time student and had not attained the age of 22, or (ii) is under a disability (as defined in section 223(c)) which began before he attained the age of 18, and".

70 Stat. 815.  
Ante, p. 367.

72 Stat. 1022f  
Post, p. 397.  
42 USC 402.

(b) (1) So much of the first sentence of section 202(d)(1) of such Act as follows subparagraph (C) is amended to read as follows:

"shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding whichever of the following first occurs—

"(D) the month in which such child dies, marries, or is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual),

"(E) the month in which such child attains the age of 18, but only if he (i) is not under a disability (as so defined) at the time he attains such age, and (ii) is not a full-time student during any part of such month,

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22, or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(2) The second sentence of section 202(d)(1) of such Act is repealed.

(3) Section 202(d) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(7) A child whose entitlement to child's insurance benefits on the basis of the wages and self-employment income of an insured individual terminated with the month preceding the month in which such child attained the age of 18, or with a subsequent month, may again become entitled to such benefits (provided no event specified in paragraph (1)(D) has occurred) beginning with the first month thereafter in which he is a full-time student and has not attained the age of 22 if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs: The first month during no part of which he is a full-time student, the month in which he attains the age of 22, or the first month in which an event specified in paragraph (1)(D) occurs.

"(8) For the purposes of this subsection—

"(A) A 'full-time student' is an individual who is in full-time attendance as a student at an educational institution, as determined by the Secretary (in accordance with regulations prescribed by him) in the light of the standards and practices of the institutions involved, except that no individual shall be considered a 'full-time student' if he is paid by his employer while attending an educational institution at the request, or pursuant to a requirement, of his employer.

"(B) Except to the extent provided in such regulations, an individual shall be deemed to be a full-time student during any period of nonattendance at an educational institution at which he has been in full-time attendance if (i) such period is 4 calendar months or less, and (ii) he shows to the satisfaction of the Secretary that he intends to continue to be in full-time attendance at an educational institution immediately following such period. An

"Full-time  
student."

individual who does not meet the requirement of clause (ii) with respect to such period of nonattendance shall be deemed to have met such requirement (as of the beginning of such period) if he is in full-time attendance at an educational institution immediately following such period.

“(C) An ‘educational institution’ is (i) a school or college or university operated or directly supported by the United States, or by any State or local government or political subdivision thereof, or (ii) a school or college or university which has been approved by a State or accredited by a State-recognized or nationally-recognized accrediting agency or body, or (iii) a non-accredited school or college or university whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.”

“Educational institution.”

(c) (1) Section 202 of such Act is amended by inserting immediately after subsection (r) the following new subsection: 42 USC 402.

“Child Aged 18 or Over Attending School

“(s) (1) For the purposes of subsections (b) (1), (g) (1), (q) (5), and (q) (7) of this section and paragraphs (2), (3), and (4) of section 203(c), a child who is entitled to child’s insurance benefits under subsection (d) for any month, and who has attained the age of 18 but is not in such month under a disability (as defined in section 223(c)) which began before he attained such age, shall be deemed not entitled to such benefits for such month, unless he was under such a disability in the third month before such month.

Post, p. 379.  
42 USC 403.

“(2) Subsection (f) (4), and so much of subsections (b) (3), (d) (6), (e) (3), (g) (3), and (h) (4) of this section as precedes the semicolon, shall not apply in the case of any child unless such child, at the time of the marriage referred to therein, was under a disability (as defined in section 223(c)) which began before such child attained the age of 18 or had been under such a disability in the third month before the month in which such marriage occurred.

Ante, p. 367.  
42 USC 423.

“(3) Subsections (c) (2) (B) and (f) (2) (B) of this section, so much of subsections (b) (3), (d) (6), (e) (3), (g) (3), and (h) (4) of this section as follows the semicolon, the last sentence of subsection (c) of section 203, subsection (f) (1) (C) of section 203, and subsections (b) (3) (B), (c) (6) (B), (f) (3) (B), and (g) (6) (B) of section 216 shall not apply in the case of any child with respect to any month referred to therein unless in such month or the third month prior thereto such child was under a disability (as defined in section 223(c)) which began before such child attained the age of 18.”

74 Stat. 954,  
955; Post, p. 373.  
42 USC 403.  
72 Stat. 1026-  
1028.  
42 USC 416.

(2) So much of subsection (c) (2) of such section 202 as precedes subparagraph (A) is amended by inserting “(subject to subsection (s))” after “shall”.

72 Stat. 1026.  
42 USC 402.

(3) So much of subsection (d) (6) of such section 202 as follows subparagraph (B) is amended by inserting “but subject to subsection (s)” after “notwithstanding the provisions of paragraph (1)”.

(4) So much of subsection (e) (3) of such section 202 as follows subparagraph (B) is amended by inserting “but subject to subsection (s)” after “notwithstanding the provisions of paragraph (1)”.

(5) So much of subsection (f) (2) of such section 202 as precedes subparagraph (A) is amended by inserting “(subject to subsection (s))” after “shall”.

79 STAT. 373.

(6) So much of subsection (f) (4) of such section 202 as follows subparagraph (B) is amended by inserting "but subject to subsection (s)" after "notwithstanding the provisions of paragraph (1)".

64 Stat. 486;  
Post, p. 378.  
42 USC 402.

(7) So much of the first sentence of subsection (g) (1) of such section 202 as follows subparagraph (F) is amended by inserting "(subject to subsection (s))" after "shall".

(8) So much of subsection (g) (3) of such section 202 as follows subparagraph (B) is amended by inserting "but subject to subsection (s)" after "notwithstanding the provisions of paragraph (1)".

72 Stat. 1032.

(9) So much of subsection (h) (4) of such section 202 as follows subparagraph (B) is amended by inserting "but subject to subsection (s)" after "notwithstanding the provisions of paragraph (1)".

42 USC 403.

(10) The next to last sentence of subsection (c) of section 203 of such Act is amended by striking out "for any month in which" and inserting in lieu thereof "for any month in which paragraph (1) of section 202(s) applies or".

Ante, p. 372.

(11) The last sentence of subsection (c) of such section 203 is amended by striking out "No" and inserting in lieu thereof "Subject to paragraph (3) of such section 202(s), no".

(12) The last sentence of subsection (f) (1) of such section 203 is amended by inserting "but subject to section 202(s)" after "Notwithstanding the preceding provisions of this paragraph".

42 USC 416.

(13) Subsections (b), (c), (f), and (g) of section 216 of such Act are each amended by inserting before the period at the end thereof "(subject, however, to section 202(s))".

42 USC 422.

(14) Section 222(b) of such Act is amended by adding at the end thereof the following new paragraph:

Ante, pp. 370, 371.  
42 USC 402.

"(4) The provisions of paragraph (1) shall not apply to any child entitled to benefits under section 202(d), if he has attained the age of 18 but has not attained the age of 22, for any month during which he is a full-time student (as defined and determined under section 202(d))."

70 Stat. 817.  
42 USC 425.

(15) Section 225 of such Act is amended by adding at the end thereof the following new sentence: "The first sentence of this section shall not apply to any child entitled to benefits under section 202(d), if he has attained the age of 18 but has not attained the age of 22, for any month during which he is a full-time student (as defined and determined under section 202(d))."

(d) The amendments made by this section shall apply with respect to monthly insurance benefits under section 202 of the Social Security Act for months after December 1964; except that—

64 Stat. 482.  
42 USC 402.

(1) in the case of an individual who was not entitled to a child's insurance benefit under subsection (d) of such section for the month in which this Act is enacted, such amendments shall apply only on the basis of an application filed in or after the month in which this Act is enacted, and

(2) no monthly insurance benefit shall be payable for any month before the second month following the month in which this Act is enacted by reason of section 202(d) (1) (B) (ii) of the Social Security Act as amended by this section.

Ante, p. 370.

REDUCED BENEFITS FOR WIDOWS AT AGE 60

Post, p. 376.

SEC. 307. (a) (1) Paragraph (1) (B) of section 202(e) of the Social Security Act (as amended by section 308(b) of this Act) is amended by striking out "age 62" and inserting in lieu thereof "age 60".

(2) Paragraph (2) of such section (as so amended) is amended by striking out "Such" and inserting in lieu thereof "Except as provided in subsection (q), such".

(b)(1) Paragraph (1) of section 202(q) of such Act is amended to read as follows: 75 Stat. 131.  
42 USC 402.

“(1) If the first month for which an individual is entitled to an old-age, wife’s, husband’s, or widow’s insurance benefit is a month before the month in which such individual attains retirement age, the amount of such benefit for each month shall, subject to the succeeding paragraphs of this subsection, be reduced by—

“(a)  $\frac{5}{9}$  of 1 percent of such amount if such benefit is an old-age or widow’s insurance benefit, or  $\frac{25}{36}$  of 1 percent of such amount if such benefit is a wife’s or husband’s insurance benefit, multiplied by

“(B) (i) the number of months in the reduction period for such benefit (determined under paragraph (6)), if such benefit is for a month before the month in which such individual attains retirement age, or

“(ii) the number of months in the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter.”

(2) Paragraph (3) (A) (as renumbered by section 304(c) of this Act) of such section is amended— Ante, p. 368.

(A) by striking out “wife’s or husband’s insurance benefit” each place it appears and inserting in lieu thereof “wife’s, husband’s, or widow’s insurance benefit”; and

(B) by striking out “age 62” and inserting in lieu thereof “age 62 (in the case of a wife’s or husband’s insurance benefit) or age 60 (in the case of a widow’s insurance benefit)”.

(3) Paragraph (3) (D) (as so renumbered) of such section is amended by striking out “wife’s or husband’s” and inserting in lieu thereof “wife’s, husband’s, or widow’s”.

(4) Paragraph (3) (as so renumbered) of such section is amended by adding at the end thereof the following new subparagraph:

“(E) If the first month for which an individual is entitled to an old-age insurance benefit (whether such first month occurs before, with, or after the month in which such individual attains the age of 65) is a month for which such individual is also (or would, but for subsection (e) (1), be) entitled to a widow’s insurance benefit to which such individual was first entitled for a month before she attained retirement age, then such old-age insurance benefit shall be reduced by whichever of the following is the larger:

“(i) the amount by which (but for this subparagraph) such old-age insurance benefit would have been reduced under paragraph (1), or

“(ii) the amount equal to the sum of the amount by which such widow’s insurance benefit was reduced for the month in which such individual attained retirement age and the amount by which such old-age insurance benefit would be reduced under paragraph (1) if it were equal to the excess of such old-age insurance benefit (before reduction under this subsection) over such widow’s insurance benefit (before reduction under this subsection).”

(5) Paragraph (5) (as so renumbered) of such section is amended by adding at the end thereof the following new subparagraph:

“(D) No widow’s insurance benefit for a month in which she has in her care a child of her deceased husband (or deceased former husband) entitled to child’s insurance benefits shall be reduced under this subsection below the amount to which she would have been

entitled had she been entitled for such month to mother's insurance benefits on the basis of her deceased husband's (or deceased former husband's) wages and self-employment income."

(6) Paragraph (6) (as so renumbered) of such section is amended—

(A) by striking out "wife's, or husband's" and inserting in lieu thereof "wife's, husband's, or widow's";

(B) by striking out "or husband's" in subparagraph (A) (i) and inserting in lieu thereof ", husband's, or widow's"; and

(C) by striking out "age 65" in subparagraph (B) and inserting in lieu thereof "retirement age".

(7) Paragraph (7) (as so renumbered) of such section is amended—

(A) by striking out "wife's, or husband's" and inserting in lieu thereof "wife's, husband's, or widow's"; and

(B) by striking out "and" at the end of subparagraph (B), by striking out the period at the end of subparagraph (C) and inserting in lieu thereof a comma, and by adding at the end thereof the following new subparagraphs:

"(D) in the case of widow's insurance benefits, any month in which the reduction in the amount of such benefit was determined under paragraph (5) (D),

"(E) in the case of widow's insurance benefits, any month before the month in which she attained retirement age for which she was not entitled to such benefit because of the occurrence of an event that terminated her entitlement to such benefits, and".

(8) Section 202(q) of such Act (as amended by section 304(c) of this Act) is further amended by adding at the end thereof the following new paragraph:

"(9) For purposes of this subsection, the term 'retirement age' means age 65 with respect to an old-age, wife's, or husband's insurance benefit and age 62 with respect to a widow's insurance benefit."

(c) The amendments made by this section shall apply with respect to monthly insurance benefits under section 202 of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

Ante, p. 368.

64 Stat. 482.  
42 USC 402.

#### WIFE'S AND WIDOW'S BENEFITS FOR DIVORCED WOMEN

SEC. 308. (a) Section 202(b) of the Social Security Act is amended to read as follows:

##### "Wife's Insurance Benefits

"(b) (1) The wife (as defined in section 216(b)) and every divorced wife (as defined in section 216(d)) of an individual entitled to old-age or disability insurance benefits, if such wife or such divorced wife—

"(A) has filed application for wife's insurance benefits,

"(B) has attained age 62 or (in the case of a wife) has in her care (individually or jointly with such individual) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of such individual,

"(C) in the case of a divorced wife, is not married,

"(D) in the case of a divorced wife, was receiving at least one-half of her support, as determined in accordance with regulations prescribed by the Secretary, from such individual, or was receiving substantial contributions from such individual (pursuant to a written agreement) or there was in effect a court order for substantial contributions to her support from such individual—

Post, p. 377.  
42 USC 416.

“(i) if he had a period of disability which did not end before the month in which he became entitled to old-age or disability insurance benefits, at the beginning of such period or at the time he became entitled to such benefits, or

“(ii) if he did not have such a period of disability, at the time he became entitled to old-age insurance benefits, and

“(E) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of the primary insurance amount of such individual,

shall (subject to subsection (s)) be entitled to a wife's insurance benefit for each month, beginning with the first month in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs—

“(F) she dies,

“(G) such individual dies,

“(H) in the case of a wife, they are divorced and either (i) she has not attained age 62, or (ii) she has attained age 62 but has not been married to such individual for a period of 20 years immediately before the date the divorce became effective,

“(I) in the case of a divorced wife, she marries a person other than such individual,

“(J) in the case of a wife who has not attained age 62, no child of such individual is entitled to a child's insurance benefit,

“(K) she becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or

“(L) such individual is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

“(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month.

“(3) In the case of any divorced wife who marries—

“(A) an individual entitled to benefits under subsection (f) or (h) of this section, or

“(B) an individual who has attained the age of 18 and is entitled to benefits under subsection (d),

such divorced wife's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) (but subject to subsection (s)), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death.”

(b)(1) Paragraphs (1) and (2) of section 202(e) of such Act are 42 USC 402. amended to read as follows:

“(1) The widow (as defined in section 216(c)) and every surviving divorced wife (as defined in section 216(d)) of an individual who died a fully insured individual, if such widow or such surviving divorced wife—

“(A) is not married,

“(B) has attained age 62,

“(C) (i) has filed application for widow’s insurance benefits, or was entitled, after attainment of age 62, to wife’s insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died, or

“(ii) was entitled, on the basis of such wages and self-employment income, to mother’s insurance benefits for the month preceding the month in which she attained age 62,

“(D) in the case of a surviving divorced wife who was not entitled to wife’s insurance benefits on the basis of the wages and self-employment income of such individual for the month preceding the month in which he died, was receiving at least one-half of her support, as determined in accordance with regulations prescribed by the Secretary, from such individual, or was receiving substantial contributions from such individual (pursuant to a written agreement) or there was in effect a court order for substantial contributions to her support from such individual—

“(i) at the time of his death (or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of his death), or

“(ii) at the time he became entitled to old-age insurance benefits or disability insurance benefits (or, if such individual had a period of disability which did not end before the month in which he became entitled to such benefits, at the time such period began or at the time he became entitled to such benefits), and

“(E) is not entitled to old-age insurance benefits or is entitled to old-age insurance benefits each of which is less than 82½ percent of the primary insurance amount of such deceased individual,

shall be entitled to a widow’s insurance benefit for each month, beginning with the first month in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of such deceased individual.

“(2) Such widow’s insurance benefit for each month shall be equal to 82½ percent of the primary insurance amount of such deceased individual.”

42 USC 402.

(2) Paragraph (3) of section 202(e) of such Act is repealed.

(3) Section 202(e) of such Act is amended by redesignating paragraph (4) as paragraph (3) and such paragraph is further amended by striking out “widow” and inserting in lieu thereof “widow or surviving divorced wife” and by striking out “widow’s” and inserting in lieu thereof “widow’s or surviving divorced wife’s”.

72 Stat. 1028.

42 USC 416.

(c) Section 216(d) of such Act is amended to read as follows:

#### “Divorced Wives; Divorce

“(d) (1) The term ‘divorced wife’ means a woman divorced from an individual, but only if she had been married to such individual for a period of 20 years immediately before the date the divorce became effective.

“(2) The term ‘surviving divorced wife’ means a woman divorced from an individual who has died, but only if she had been married to the individual for a period of 20 years immediately before the date the divorce became effective.

“(3) The term ‘surviving divorced mother’ means a woman divorced from an individual who has died, but only if (A) she is the mother of his son or daughter, (B) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of 18, (C) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of 18, or (D) she was married to him at the time both of them legally adopted a child under the age of 18.

“(4) The terms ‘divorce’ and ‘divorced’ refer to a divorce a vinculo matrimonii.”

(d) (1) Section 202(c) (1) of such Act is amended by striking out “divorced a vinculo matrimonii,” and inserting in lieu thereof “divorced.” 64 Stat. 483.  
42 USC 402.

(2) (A) Subsections (d) (6) (A), (f) (4) (A), and (h) (4) (A) of section 202 of such Act are each amended by inserting “(b),” before “(e).” 72 Stat. 1030-1032.

(B) Subsections (b) and (c) of section 216 of such Act are each amended by striking out “(e) or” and inserting in lieu thereof “(b), (e), or” 64 Stat. 510;  
72 Stat. 1027.  
42 USC 416.

(3) Subparagraph (A) of section 202(g) (1) of such Act is amended by striking out “has not remarried” and inserting in lieu thereof “is not married” 42 USC 402.

(4) Subparagraph (F) of section 202(g) (1) of such Act is amended to read as follows:

“(F) in the case of a surviving divorced mother—

“(i) at the time of such individual’s death (or, if such individual had a period of disability which did not end before the month in which he died, at the time such period began or at the time of such death)—

“(I) she was receiving at least one-half of her support, as determined in accordance with regulations prescribed by the Secretary, from such individual, or

“(II) she was receiving substantial contributions from such individual (pursuant to a written agreement), or

“(III) there was a court order for substantial contributions to her support from such individual,

“(ii) the child referred to in subparagraph (E) is her son, daughter, or legally adopted child, and

“(iii) the benefits referred to in such subparagraph are payable on the basis of such individual’s wages and self-employment income.”

(5) Section 202(g) of such Act is further amended by striking out “former wife divorced” each place it appears and inserting in lieu thereof “surviving divorced mother”.

(6) Section 203(a) of such Act (as amended by section 301(c) of this Act) is amended by striking out the period at the end of the first sentence and inserting in lieu thereof “, or” and by adding the following new paragraph:

“(3) when any of such individuals is entitled to monthly benefits as a divorced wife under section 202(b) or as a surviving divorced wife under section 202(e) for any month, the benefit to which she is entitled on the basis of the wages and self-employment income of such insured individual for such month shall be determined without regard to this subsection, and the benefits of all other individuals who are entitled for such month to monthly benefits under section 202 on the wages and self-

Ante, p. 363.

- employment income of such insured individual shall be determined as if no such divorced wife or surviving divorced wife were entitled to benefits for such month."
- 42 USC 403. (7) Section 203(c)(4) of such Act is amended by striking out "former wife divorced" and inserting in lieu thereof "surviving divorced mother".
- (8) Section 203(d)(1) of such Act is amended by striking out "wife," and inserting in lieu thereof "wife, divorced wife,".
- (9) The second sentence of section 205(b) of such Act is amended by striking out "wife, widow, former wife divorced," and inserting in lieu thereof "wife, divorced wife, widow, surviving divorced wife, surviving divorced mother,".
- 42 USC 405. (10) Section 205(c)(1)(C) of such Act is amended by striking out "former wife divorced," and inserting in lieu thereof "surviving divorced wife, surviving divorced mother,".
- 42 USC 422. (11) Section 222(b)(3) of such Act is amended by inserting "divorced wife," after "wife,".
- 42 USC 402. (12) Paragraph (3) of section 202(g) of such Act is repealed.
- (13) Section 202(g) of such Act is amended by redesignating paragraph (4) as paragraph (3).
- (e) The amendments made by this section shall be applicable with respect to monthly insurance benefits under title II of the Social Security Act beginning with the second month following the month in which this Act is enacted; but, in the case of an individual who was not entitled to a monthly insurance benefit under section 202 of such Act for the first month following the month in which this Act is enacted, only on the basis of an application filed in or after the month in which this Act is enacted.
- 42 USC 401.

## TRANSITIONAL INSURED STATUS

Ante, p. 290. SEC. 309. (a) Title II of the Social Security Act is further amended by adding at the end thereof (after the new section 226 added by section 101 of this Act) the following new section:

## "TRANSITIONAL INSURED STATUS

75 Stat. 137.  
42 USC 414.

42 USC 402.  
Ante, p. 375.

"SEC. 227. (a) In the case of any individual who attains the age of 72 before 1969 but who does not meet the requirements of section 214(a), the 6 quarters of coverage referred to in so much of paragraph (1) of section 214(a) as follows clause (C) shall, instead, be 3 quarters of coverage for purposes of determining entitlement of such individual to benefits under section 202(a), and of his wife to benefits under section 202(b); but, in the case of such wife, only if she attains the age of 72 before 1969 and only with respect to wife's insurance benefits under section 202(b) for and after the month in which she attains such age. For each month before the month in which any such individual meets the requirements of section 214(a), the amount of his old-age insurance benefit shall, notwithstanding the provisions of section 202(a), be \$35 and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be \$17.50.

"(b) In the case of any individual who has died, who does not meet the requirements of section 214(a), and whose widow attains age 72 before 1969, the 6 quarters of coverage referred to in paragraph (3) of section 214(a) and in so much of paragraph (1) thereof as follows clause (C) shall, for purposes of determining her entitle-

ment to widow's insurance benefits under section 202(e), instead be— *Ante*, pp. 376,

"(1) 3 quarters of coverage if such widow attains the age of 72 in or before 1966, 377. 42 USC 402.

"(2) 4 quarters of coverage if such widow attains the age of 72 in 1967, or

"(3) 5 quarters of coverage if such widow attains the age of 72 in 1968.

The amount of her widow's insurance benefit for each month shall, notwithstanding the provisions of section 202(e) (and section 202(m)), be \$35. 68 Stat. 1073. 42 USC 402.

"(c) In the case of any individual who becomes, or upon filing application therefor would become, entitled to benefits under section 202(a) by reason of the application of subsection (a) of this section, who dies, and whose widow attains the age of 72 before 1969, such deceased individual shall be deemed to meet the requirements of subsection (b) of this section for purposes of determining entitlement of such widow to widow's insurance benefits under section 202(e)."

(b) The amendment made by subsection (a) shall apply in the case of monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted on the basis of applications filed in or after the month in which this Act is enacted.

INCREASE IN AMOUNT AN INDIVIDUAL IS PERMITTED TO EARN WITHOUT SUFFERING FULL DEDUCTIONS FROM BENEFITS

SEC. 310. (a) (1) Paragraphs (1), (3), and (4)(B) of subsection (f) of section 203 of the Social Security Act are each amended by striking out "\$100" wherever it appears therein and inserting in lieu thereof "\$125". 42 USC 403.

(2) The first sentence of paragraph (3) of such subsection (f) is amended by striking out "\$500" each place it appears therein and inserting in lieu thereof "\$1,200".

(3) Paragraph (1)(A) of subsection (h) of section 203 of such Act is amended by striking out "\$100" and inserting in lieu thereof "\$125".

(b) The amendments made by subsection (a) shall apply with respect to taxable years ending after December 31, 1965.

COVERAGE FOR DOCTORS OF MEDICINE

SEC. 311. (a) (1) Section 211(c)(5) of the Social Security Act is amended to read as follows: 42 USC 411.

"(5) The performance of service by an individual in the exercise of his profession as a Christian Science practitioner."

(2) Section 211(c) of such Act is further amended by striking out the last two sentences and inserting in lieu thereof the following: "The provisions of paragraph (4) or (5) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by him under section 1402(e) of the Internal Revenue Code of 1954 is in effect." *Post*, p. 381.

(3) Section 210(a)(6)(C)(iv) of such Act is amended by inserting before the semicolon at the end thereof the following: ", other than as a medical or dental intern or a medical or dental resident in training". 68 Stat. 1053. 42 USC 410.

79 STAT. 381.

64 Stat. 497;  
68 Stat. 1052.  
42 USC 410.  
70 Stat. 841.  
26 USC 1402.

(4) Section 210(a)(13) of such Act is amended by striking out all that follows the first semicolon.

(b)(1) Section 1402(c)(5) of the Internal Revenue Code of 1954 (relating to definition of trade or business) is amended to read as follows:

“(5) the performance of service by an individual in the exercise of his profession as a Christian Science practitioner.”

68 Stat. 1088.

(2) Section 1402(c) of such Code is further amended by striking out the last two sentences and inserting in lieu thereof the following: “The provisions of paragraph (4) or (5) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by him under subsection (e) is in effect.”

(3)(A) Section 1402(e)(1) of such Code (relating to filing of waiver certificate by ministers, members of religious orders, and Christian Science practitioners) is amended by striking out “extended to service” and all that follows and inserting in lieu thereof “extended to service described in subsection (c)(4) or (c)(5) performed by him.”

(B) Clause (A) of section 1402(e)(2) of such Code (relating to time for filing waiver certificate) is amended to read as follows: “(A) the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed without regard to subsections (c)(4) and (c)(5)) of \$400 or more, any part of which was derived from the performance of service described in subsection (c)(4) or (c)(5); or”.

68 Stat. 1092.  
26 USC 3121.

(4) Section 3121(b)(6)(C)(iv) of such Code (relating to definition of employment) is amended by inserting before the semicolon at the end thereof the following: “, other than as a medical or dental intern or a medical or dental resident in training”.

68A Stat. 422.  
68 Stat. 1091.

(5) Section 3121(b)(13) of such Code is amended by striking out all that follows the first semicolon.

(c) The amendments made by paragraphs (1) and (2) of subsection (a), and by paragraphs (1), (2), and (3) of subsection (b), shall apply only with respect to taxable years ending on or after December 31, 1965. The amendments made by paragraphs (3) and (4) of subsection (a), and by paragraphs (4) and (5) of subsection (b), shall apply only with respect to services performed after 1965.

## GROSS INCOME OF FARMERS

42 USC 411.

SEC. 312. (a) The second sentence following paragraph (8) in section 211(a) of the Social Security Act is amended by striking out “\$1,800” each place it appears and inserting in lieu thereof “\$2,400”, and by striking out “\$1,200” each place it appears and inserting in lieu thereof “\$1,600”.

(b) The second sentence following paragraph (9) in section 1402(a) of the Internal Revenue Code of 1954 (relating to net earnings from self-employment) is amended by striking out “\$1,800” each place it appears and inserting in lieu thereof “\$2,400”, and by striking out “\$1,200” each place it appears and inserting in lieu thereof “\$1,600”.

(c) The amendments made by this section shall apply only with respect to taxable years beginning after December 31, 1965.

## COVERAGE OF TIPS

SEC. 313. (a) (1) Section 209 of the Social Security Act is amended by striking out "or" at the end of subsection (j), by striking out the period at the end of subsection (k) and inserting in lieu thereof "; or", and by adding immediately after subsection (k) the following new subsection:

"(1) (1) Tips paid in any medium other than cash;

"(2) Cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is \$20 or more."

(2) Section 209 of such Act is further amended by adding at the end thereof the following new paragraph:

"For purposes of this title, tips received by an employee in the course of his employment shall be considered remuneration for employment. Such remuneration shall be deemed to be paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053(a) of the Internal Revenue Code of 1954 or (if no statement including such tips is so furnished) at the time received."

(b) Section 451 of the Internal Revenue Code of 1954 (relating to general rule for taxable year of inclusion) is amended by adding at the end thereof the following new subsection:

"(c) SPECIAL RULE FOR EMPLOYEE TIPS.—For purposes of subsection (a), tips included in a written statement furnished an employer by an employee pursuant to section 6053(a) shall be deemed to be received at the time the written statement including such tips is furnished to the employer."

(c) (1) Section 3102 of such Code (relating to deduction of tax from wages) is amended by adding at the end thereof the following new subsection:

"(c) SPECIAL RULE FOR TIPS.—

"(1) In the case of tips which constitute wages, subsection (a) shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053(a), and only to the extent that collection can be made by the employer, at or after the time such statement is so furnished and before the close of the 10th day following the calendar month (or, if paragraph (3) applies, the 30th day following the quarter) in which the tips were deemed paid, by deducting the amount of the tax from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) as are under control of the employer.

"(2) If the tax imposed by section 3101, with respect to tips which are included in written statements furnished in any month to the employer pursuant to section 6053(a), exceeds the wages of the employee (excluding tips) from which the employer is required to collect the tax under paragraph (1), the employee may furnish to the employer on or before the 10th day of the following month (or, if paragraph (3) applies, on or before the 30th day of the following quarter) an amount of money equal to the amount of the excess.

"(3) The Secretary or his delegate may, under regulations prescribed by him, authorize employers—

"(A) to estimate the amount of tips that will be reported by the employee pursuant to section 6053(a) in any quarter of the calendar year,

64 Stat. 492;  
78 Stat. 1077.  
42 USC 409.

Post, p. 384.

68A Stat. 152.  
26 USC 451.

26 USC 3102.

Post, p. 395.

“(B) to determine the amount to be deducted upon each payment of wages (exclusive of tips) during such quarter as if the tips so estimated constituted the actual tips so reported, and

“(C) to deduct upon any payment of wages (other than tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) to such employee during such quarter (and within 30 days thereafter) such amount as may be necessary to adjust the amount actually deducted upon such wages of the employee during the quarter to the amount required to be deducted in respect of tips included in written statements furnished to the employer during the quarter.

Post, p. 395.

“(4) If the tax imposed by section 3101 with respect to tips which constitute wages exceeds the portion of such tax which can be collected by the employer from the wages of the employee pursuant to paragraph (1) or paragraph (3), such excess shall be paid by the employee.”

68A Stat. 415;  
68 Stat. 1093.  
26 USC 3102.  
Post, p. 384.  
26 USC 3121.

(2) The second sentence of section 3102(a) of such Code is amended by inserting before the period at the end thereof the following: “; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053(a) to which paragraph (12) (B) of section 3121(a) is applicable may deduct an amount equivalent to such tax with respect to such tips from any wages of the employee (exclusive of tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20”.

(3) Section 3121(a) of such Code (relating to definition of wages under the Federal Insurance Contributions Act) is amended by striking out “or” at the end of paragraph (10), by striking out the period at the end of paragraph (11) and inserting in lieu thereof “; or”, and by adding after paragraph (11) the following new paragraph:

“(12) (A) tips paid in any medium other than cash;

“(B) cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is \$20 or more.”

(4) Section 3121 of such Code is further amended by adding at the end thereof the following new subsection:

“(q) TIPS INCLUDED FOR EMPLOYEE TAXES.—For purposes of this chapter other than for purposes of the taxes imposed by section 3111, tips received by an employee in the course of his employment shall be considered remuneration for employment. Such remuneration shall be deemed to be paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053(a) or (if no statement including such tips is so furnished) at the time received.”

68A Stat. 455.  
26 USC 3401.

(d)(1) Section 3401 of such Code (relating to definitions for purposes of collecting income tax at source on wages) is amended by adding at the end thereof the following new subsection:

“Wages.”

“(f) TIPS.—For purposes of subsection (a), the term ‘wages’ includes tips received by an employee in the course of his employment. Such wages shall be deemed to be paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053(a) or (if no statement including such tips is so furnished) at the time received.”

(2) Section 3401(a) of such Code (relating to definition of wages for purposes of collecting income tax at source) is amended by striking out “; or” at the end of paragraph (6) and inserting in lieu thereof “; or”, by striking out the period at the end of paragraph (12) and inserting in lieu thereof “; or”, by striking out the period at the end of paragraph (15) and inserting in lieu thereof “; or”, and by adding after paragraph (15) the following new paragraph:

69 Stat. 616;  
75 Stat. 625;  
78 Stat. 36,52.  
26 USC 3401.

“(16)(A) as tips in any medium other than cash;

“(B) as cash tips to an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is \$20 or more.”

(3) Subsection (a) of section 3402 of such Code (relating to income tax collected at source) is amended by striking out “subsection (j)” and inserting in lieu thereof “subsections (j) and (k)”.

68A Stat. 457;  
69 Stat. 605.  
26 USC 3402.

(4) Section 3402(h)(3) of such Code (relating to income tax withholding on basis of average wages) is amended by inserting after “quarter” the first place it appears the following: “(and, in the case of tips referred to in subsection (k), within 30 days thereafter)”.

(5) Section 3402 of such Code is further amended by adding at the end thereof the following new subsection:

“(k) **TIPS.**—In the case of tips which constitute wages, subsection (a) shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053(a), and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is furnished. from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053(a) to which paragraph (16)(B) of section 3401(a) is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds (including funds turned over under section 3102(c)(2)) minus any tax required by section 3102(a) to be collected from such wages and funds.”

Infra.

(e)(1) Section 6051(a) of such Code (relating to receipts for employees) is amended by adding at the end thereof the following new sentence: “In the case of tips received by an employee in the course of his employment, the amounts required to be shown by paragraphs (3) and (5) shall include only such tips as are included in statements furnished to the employer pursuant to section 6053(a).”

Ante, p. 382.

Ante, p. 383.

68A Stat. 747.  
26 USC 6051.

(2)(A) Subpart C of part III of subchapter A of chapter 61 of such Code (relating to information regarding wages paid employees) is amended by adding at the end thereof the following new section:

**“SEC. 6053. REPORTING OF TIPS.**

“(a) **REPORTS BY EMPLOYEES.**—Every employee who, in the course of his employment by an employer, receives in any calendar month tips which are wages (as defined in section 3121(a) or section 3401(a)) shall report all such tips in one or more written statements furnished to his employer on or before the 10th day following such month. Such

26 USC 3121,  
3401.

statements shall be furnished by the employee under such regulations, at such other times before such 10th day, and in such form and manner, as may be prescribed by the Secretary or his delegate.

*Post*, p. 395.

26 USC 3102.

“(b) STATEMENTS FURNISHED BY EMPLOYERS.—If the tax imposed by section 3101 with respect to tips reported by an employee pursuant to subsection (a) exceeds the tax which can be collected by the employer pursuant to section 3102, the employer shall furnish to the employee a written statement showing the amount of such excess. The statement required to be furnished pursuant to this subsection shall be furnished at such time, shall contain such other information, and shall be in such form as the Secretary or his delegate may by regulations prescribe. When required by such regulations, a duplicate of any such statement shall be filed with the Secretary or his delegate.”

76 Stat. 1057.  
26 USC 6652.

*Supra*.

68A Stat. 828.  
26 USC 6674.  
68A Stat. 747.  
26 USC 6051.

(B) Section 6652(b) of such Code (relating to failure to file information returns) is amended by inserting after “income tax withheld,” the following: “and in the case of each failure to furnish a statement required by section 6053(b) (relating to statements furnished by employers with respect to tips);”

(C) Section 6674 of such Code (relating to fraudulent statement or failure to furnish statement to employee) is amended by striking out “6051” each place it appears and inserting in lieu thereof “6051 or 6053(b)”.

(D) The table of sections for such subpart C is amended by adding at the end thereof the following:

“Sec. 6053. Reporting of tips.”

76 Stat. 1058.  
26 USC 6652.

(3) Section 6652 of such Code (relating to failure to file certain information returns) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

*Ante*, p. 384.  
26 USC 3121.

“(c) FAILURE TO REPORT TIPS.—In the case of failure by an employee to report to his employer on the date and in the manner prescribed therefor any amount of tips required to be so reported by section 6053(a) which are wages (as defined in section 3121(a)), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be paid by the employee, in addition to the tax imposed by section 3101 with respect to the amount of tips which he so failed to report, an amount equal to 50 percent of such tax.”

*Post*, p. 395.

(f) The amendments made by this section shall apply only with respect to tips received by employees after 1965.

INCLUSION OF ALASKA AMONG STATES PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

72 Stat. 1038.  
42 USC 418.

SEC. 314. The first sentence of section 218(d)(6)(C) of the Social Security Act is amended by inserting “Alaska,” before “California”.

ADDITIONAL PERIOD FOR ELECTING COVERAGE UNDER DIVIDED RETIREMENT SYSTEM

72 Stat. 1039;  
75 Stat. 139.  
42 USC 418.

SEC. 315. The first sentence of section 218(d)(6)(F) of the Social Security Act is amended by striking out “1963” and inserting in lieu thereof “1967”.

## EMPLOYEES OF NONPROFIT ORGANIZATIONS

SEC. 316. (a) (1) Section 3121(k) (1) (B) (iii) of the Internal Revenue Code of 1954 (relating to effective date of exemption of religious, charitable, and certain other organizations) is amended to read as follows: 72 Stat. 1044.  
26 USC 3121.

“(iii) the first day of any calendar quarter preceding the calendar quarter in which the certificate is filed, except that such date may not be earlier than the first day of the twentieth calendar quarter preceding the quarter in which such certificate is filed.”

(2) The amendment made by paragraph (1) shall apply in the case of any certificate filed under section 3121(k) (1) (A) of such Code after the date of the enactment of this Act.

(b) Section 3121(k) (1) of such Code (relating to waiver of exemption by religious, charitable, and certain other organizations) is further amended by adding at the end thereof the following new subparagraph:

“(H) An organization which files a certificate under subparagraph (A) before 1966 may amend such certificate during 1965 or 1966 to make the certificate effective with the first day of any calendar quarter preceding the quarter for which such certificate originally became effective, except that such date may not be earlier than the first day of the twentieth calendar quarter preceding the quarter in which such certificate is so amended. If an organization amends its certificate pursuant to the preceding sentence, such amendment shall be effective with respect to the service of individuals who concurred in the filing of such certificate (initially or through the filing of a supplemental list) and who concur in the filing of such amendment. An amendment to a certificate filed pursuant to this subparagraph shall be filed with such official and in such form and manner as may be prescribed by regulations made under this chapter. If an amendment is filed pursuant to this subparagraph—

“(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return), the due date for the return and payment of the tax for any calendar quarter resulting from the filing of such an amendment shall be the last day of the calendar month following the calendar quarter in which the amendment is filed; and

“(ii) the statutory period for the assessment of such tax shall not expire before the expiration of three years from such due date.”

(c) (1) Section 105(b) of the Social Security Amendments of 1960 is amended to read as follows: 74 Stat. 943.  
26 USC 3121 note.

“(b) (1) If—

“(A) an individual performed service in the employ of an organization with respect to which remuneration was paid before the first day of the calendar quarter in which the organization filed a waiver certificate pursuant to section 3121(k) (1) of the Internal Revenue Code of 1954, and such service is excepted from employment under section 210(a) (8) (B) of the Social Security Act,

“(B) such service would have constituted employment as defined in section 210 of such Act if the requirements of section 3121(k) (1) of such Code were satisfied,

72 Stat. 1035.  
42 USC 410.

72 Stat. 1044.  
26 USC 3121.  
Post, pp. 395,  
396.

64 Stat. 518;  
Ante, p. 379.  
42 USC 401.

68A Stat. 415.  
26 USC 3101-  
3126.  
68A Stat. 819.  
26 USC 6611.

74 Stat. 943.  
26 USC 3121  
note.

“(C) such organization paid, on or before the due date of the tax return for the calendar quarter before the calendar quarter in which the organization filed a certificate pursuant to section 3121(k)(1) of such Code, any amount, as taxes imposed by sections 3101 and 3111 of such Code, with respect to such remuneration paid by the organization to the individual for such service,

“(D) such individual, or a fiduciary acting for such individual or his estate, or his survivor (within the meaning of section 205(c)(1)(C) of such Act), requests that such remuneration be deemed to constitute remuneration for employment for purposes of title II of such Act, and

“(E) the request is made in such form and manner, and with such official, as may be prescribed by regulations made by the Secretary of Health, Education, and Welfare, then, subject to the conditions stated in paragraphs (2), (3), (4), and (5), the remuneration with respect to which the amount has been paid as taxes shall be deemed to constitute remuneration for employment for purposes of title II of such Act.

“(2) Paragraph (1) shall not apply with respect to an individual unless the organization referred to in paragraph (1)(A), on or before the date on which the request described in paragraph (1) is made, has filed a certificate pursuant to section 3121(k)(1) of such Code.

“(3) Paragraph (1) shall not apply with respect to an individual who is employed by the organization referred to in paragraph (2) on the date the certificate is filed.

“(4) If credit or refund of any portion of the amount referred to in paragraph (1)(C) (other than a credit or refund which would be allowed if the service constituted employment for purposes of chapter 21 of such Code) has been obtained, paragraph (1) shall not apply with respect to the individual unless the amount credited or refunded (including any interest under section 6611 of such Code) is repaid before January 1, 1968, or, if later, the first day of the third year after the year in which the organization filed a certificate pursuant to section 3121(k)(1) of such Code.

“(5) Paragraph (1) shall not apply to any service performed for the organization in a period for which a certificate filed pursuant to section 3121(k)(1) of such Code is not in effect.”

(2) The amendment made by paragraph (1) shall take effect on the date of the enactment of this Act. The provisions of section 105(b) of the Social Security Amendments of 1960 which were in effect before the date of the enactment of this Act shall be applicable with respect to any request filed under section 105(b)(1) of such Amendments before such date. Nothing in the preceding sentence shall prevent the filing of a request under section 105(b)(1) of such Amendments as amended by this Act.

(d) If—

(1) an individual performed service with respect to which remuneration was paid before the date of enactment of this Act by an organization which, before such date, filed a waiver certificate pursuant to section 3121(k)(1) of the Internal Revenue Code,

(2) such service is excluded from employment under title II of the Social Security Act but would not be excluded therefrom if the requirements of such section 3121(k)(1) had been met with respect to such service,

(3) such service was performed during the period such certificate was in effect, and

(4) such individual was listed pursuant to such section 3121 (k)(1) at any time during such period and before the date of enactment of this Act as an employee who concurred in the filing of such certificate or such individual filed a request for coverage pursuant to section 105(b) of the Social Security Amendments of 1960, as in effect prior to the enactment of this Act (but such listing or request was not effective with respect to the service described above),

72 Stat. 1044.  
26 USC 3121.  
74 Stat. 943.  
26 USC 3121  
note.

then, subject to the conditions stated in subparagraphs (B), (C), (D), and (E) of paragraph (1), and paragraph (4), of section 105(b) of the Social Security Amendments of 1960, as amended by this section, the remuneration of such individual which was paid with respect to such excluded service shall be deemed to constitute remuneration for employment for purposes of such title II; except that, for purposes of this subsection, in applying subparagraph (C) of paragraph (1) of such section 105(b) the date of enactment of this Act shall be considered to be the date on which the organization filed its certificate under section 3121(k)(1) and any reference, in paragraph (4) of such section, to such paragraph (1) shall be considered a reference to the preceding provisions of this subsection.

42 USC 401.

#### COVERAGE OF TEMPORARY EMPLOYEES OF THE DISTRICT OF COLUMBIA

SEC. 317. (a) Section 210(a)(7) of the Social Security Act is amended—

74 Stat. 936.  
42 USC 410.

- (1) by striking out "or" at the end of subparagraph (B),
- (2) by striking out the semicolon at the end of subparagraph (C) (ii) and inserting in lieu thereof "or", and
- (3) by adding after subparagraph (C) the following new subparagraph:

"(D) service performed in the employ of the District of Columbia or any instrumentality which is wholly owned thereby, if such service is not covered by a retirement system established by a law of the United States; except that the provisions of this subparagraph shall not be applicable to service performed—

"(i) in a hospital or penal institution by a patient or inmate thereof;

"(ii) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the District of Columbia Government; 5 U.S.C. 1052), other than as a medical or dental intern or as a medical or dental resident in training;

61 Stat. 727;  
63 Stat. 972.

"(iii) by any individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency; or

"(iv) by a member of a board, committee, or council of the District of Columbia, paid on a per diem, meeting, or other fee basis;"

(b) Section 3121(b)(7) of the Internal Revenue Code of 1954 (relating to certain services not included in definition of employment) is amended—

74 Stat. 938.  
26 USC 3121.

- (1) by striking out "or" at the end of subparagraph (A),
- (2) by striking out the semicolon at the end of subparagraph (B) and inserting in lieu thereof "or", and
- (3) by adding after subparagraph (B) the following new subparagraph:

“(C) service performed in the employ of the District of Columbia or any instrumentality which is wholly owned thereby, if such service is not covered by a retirement system established by a law of the United States; except that the provisions of this subparagraph shall not be applicable to service performed—

“(i) in a hospital or penal institution by a patient or inmate thereof;

“(ii) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the District of Columbia Government; 5 U.S.C. 1052), other than as a medical or dental intern or as a medical or dental resident in training;

“(iii) by any individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood or other similar emergency; or

“(iv) by a member of a board, committee, or council of the District of Columbia, paid on a per diem, meeting, or other fee basis;”.

61 Stat. 727;  
63 Stat. 972.

74 Stat. 939.  
26 USC 3125.

(c) (1) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam and American Samoa) is amended by adding at the end thereof the following new subsection:

“(c) DISTRICT OF COLUMBIA.—In the case of the taxes imposed by this chapter with respect to service performed in the employ of the District of Columbia or in the employ of any instrumentality which is wholly owned thereby, the return and payment of the taxes may be made by the Commissioners of the District of Columbia or by such agents as they may designate. The person making such return may, for convenience of administration, make payments of the tax imposed by section 3111 with respect to such service without regard to the \$6,600 limitation in section 3121(a)(1).”

Post, p. 396.  
Post, p. 393.

(2) The heading of such section 3125 is amended by striking out “AND AMERICAN SAMOA” and inserting in lieu thereof “, AMERICAN SAMOA, AND THE DISTRICT OF COLUMBIA”.

(3) The table of sections for subchapter C of chapter 21 of such Code (relating to general provisions for Federal Insurance Contributions Act) is amended by striking out

“Sec. 3125. Returns in the case of governmental employees in Guam and American Samoa.”

and inserting in lieu thereof

“Sec. 3125. Returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia.”

68A Stat. 768;  
74 Stat. 940.  
26 USC 6205.

(d) Section 6205(a) of such Code (relating to adjustment of tax) is amended by adding at the end thereof the following new paragraph:

“(4) DISTRICT OF COLUMBIA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the District of Columbia or any instrumentality which is wholly owned thereby, the Commissioners of the District of Columbia and each agent designated by them who makes a return pursuant to section 3125 shall be deemed a separate employer.”

68A Stat. 797;  
74 Stat. 940.  
26 USC 6413.

(e) Section 6413(a) of such Code (relating to adjustment of certain employment taxes) is amended by adding at the end thereof the following paragraph:

“(4) DISTRICT OF COLUMBIA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the District of Columbia or any instrumentality

which is wholly owned thereby, the Commissioners of the District of Columbia and each agent designated by them who makes a return pursuant to section 3125 shall be deemed a separate employer."

74 Stat. 939.  
26 USC 3125.

(f) (1) Section 6413(c) (2) of such Code (relating to applicability of special refunds to certain employment taxes) is amended by adding at the end thereof the following new subparagraph:

68A Stat. 797.  
26 USC 6413.

"(F) GOVERNMENTAL EMPLOYEES IN THE DISTRICT OF COLUMBIA.—In the case of remuneration received from the District of Columbia or any instrumentality wholly owned thereby, during any calendar year, the Commissioners of the District of Columbia and each agent designated by them who makes a return pursuant to section 3125(c) shall, for purposes of this subsection, be deemed a separate employer."

Ante, p. 389.

(2) The heading of such section 6413(c) (2) is amended by striking out "AND AMERICAN SAMOA" and inserting in lieu thereof "AMERICAN SAMOA, AND THE DISTRICT OF COLUMBIA".

(g) The amendments made by this section shall apply with respect to service performed after the calendar quarter in which this section is enacted and after the calendar quarter in which the Secretary of the Treasury receives a certification from the Commissioners of the District of Columbia expressing their desire to have the insurance system established by title II (and part A of title XVIII) of the Social Security Act extended to the officers and employees coming under the provisions of such amendments.

42 USC 401;  
Ante, p.291.

#### COVERAGE FOR CERTAIN ADDITIONAL HOSPITAL EMPLOYEES IN CALIFORNIA

SEC. 318. Section 102(k) of the Social Security Amendments of 1960 is amended by inserting "(1)" immediately after "(k)", and by adding at the end thereof the following new paragraph:

74 Stat. 935.  
42 USC 418  
note.

"(2) Such agreement, as modified pursuant to paragraph (1), may at the option of such State be further modified, at any time prior to the seventh month after the month in which this paragraph is enacted, so as to apply to services performed for any hospital affected by such earlier modification by any individual who after December 31, 1959, is or was employed by such State (or any political subdivision thereof) in any position described in paragraph (1). Such modification shall be effective with respect to (A) all services performed by such individual in any such position on or after January 1, 1962, and (B) all such services, performed before such date, with respect to which amounts equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 if such services had constituted employment for purposes of chapter 21 of such Code at the time they were performed have, prior to the date of the enactment of this paragraph, been paid."

Post, pp.395,396.  
68A Stat. 415.  
26 USC 3121-  
3126.

#### TAX EXEMPTION FOR RELIGIOUS GROUPS OPPOSED TO INSURANCE

SEC. 319. (a) Subsection (c) of section 1402 of the Internal Revenue Code of 1954 is amended by striking out "or" at the end of paragraph (4), by striking out the period at the end of paragraph (5) and inserting in lieu thereof "; or", and by adding after paragraph (5) the following new paragraph:

68A Stat. 353.  
26 USC 1402.

"(6) the performance of service by an individual during the period for which an exemption under subsection (h) is effective with respect to him."

Post, p.391.

64 Stat. 502.  
42 USC 411.

(b) Subsection (c) of section 211 of the Social Security Act is amended by striking out "or" at the end of paragraph (4), by striking out the period at the end of paragraph (5) and inserting in lieu thereof "; or", and by adding after paragraph (5) the following new paragraph:

Infra.  
68A Stat. 353.  
26 USC 1402.

"(6) The performance of service by an individual during the period for which an exemption under section 1402(h) of the Internal Revenue Code of 1954 is effective with respect to him."

(c) Section 1402 of the Internal Revenue Code of 1954 is further amended by adding at the end thereof the following new subsection:

"(h) MEMBERS OF CERTAIN RELIGIOUS FAITHS.—

49 Stat. 620.  
42 USC 1305.

"(1) EXEMPTION.—Any individual may file an application (in such form and manner, and with such official, as may be prescribed by regulations under this chapter) for an exemption from the tax imposed by this chapter if he is a member of a recognized religious sect or division thereof and is an adherent of established tenets or teachings of such sect or division by reason of which he is conscientiously opposed to acceptance of the benefits of any private or public insurance which makes payments in the event of death, disability, old-age, or retirement or makes payments toward the cost of, or provides services for, medical care (including the benefits of any insurance system established by the Social Security Act). Such exemption may be granted only if the application contains or is accompanied by—

42 USC 401;  
Ante., p. 390.

"(A) such evidence of such individual's membership in, and adherence to the tenets or teachings of, the sect or division thereof as the Secretary or his delegate may require for purposes of determining such individual's compliance with the preceding sentence, and

"(B) his waiver of all benefits and other payments under titles II and XVIII of the Social Security Act on the basis of his wages and self-employment income as well as all such benefits and other payments to him on the basis of the wages and self-employment income of any other person, and only if the Secretary of Health, Education, and Welfare finds that—

"(C) such sect or division thereof has the established tenets or teachings referred to in the preceding sentence,

"(D) it is the practice, and has been for a period of time which he deems to be substantial, for members of such sect or division thereof to make provision for their dependent members which in his judgment is reasonable in view of their general level of living, and

"(E) such sect or division thereof has been in existence at all times since December 31, 1950.

53 Stat. 1367;  
72 Stat. 1032.  
42 USC 403,422.

An exemption may not be granted to any individual if any benefit or other payment referred to in subparagraph (B) became payable (or, but for section 203 or 222(b) of the Social Security Act, would have become payable) at or before the time of the filing of such waiver.

"(2) TIME FOR FILING APPLICATION.—For purposes of this subsection, an application must be filed—

Ante., p. 390.

"(A) In the case of an individual who has self-employment income (determined without regard to this subsection and subsection (c)(6)) for any taxable year ending before December 31, 1965, on or before April 15, 1966, and

“(B) In any other case, on or before the time prescribed for filing the return (including any extension thereof) for the first taxable year ending on or after December 31, 1965, for which he has self-employment income (as so determined).

“(3) PERIOD FOR WHICH EXEMPTION EFFECTIVE.—An exemption granted to any individual pursuant to this subsection shall apply with respect to all taxable years beginning after December 31, 1950, except that such exemption shall not apply for any taxable year—

“(A) beginning (i) before the taxable year in which such individual first met the requirements of the first sentence of paragraph (1), or (ii) before the time as of which the Secretary of Health, Education, and Welfare finds that the sect or division thereof of which such individual is a member met the requirements of subparagraphs (C) and (D), or

“(B) ending (i) after the time such individual ceases to meet the requirements of the first sentence of paragraph (1), or (ii) after the time as of which the Secretary of Health, Education, and Welfare finds that the sect or division thereof of which he is a member ceases to meet the requirements of subparagraph (C) or (D).

“(4) APPLICATION BY FIDUCIARIES OR SURVIVORS.—In any case where an individual who has self-employment income dies before the expiration of the time prescribed by paragraph (2) for filing an application for exemption pursuant to this subsection, such an application may be filed with respect to such individual within such time by a fiduciary acting for such individual's estate or by such individual's survivor (within the meaning of section 205 (c) (1) (C) of the Social Security Act).”

(d) Section 202 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“Waiver of Benefits

“(v) Notwithstanding any other provisions of this title, in the case of any individual who files a waiver pursuant to section 1402(h) of the Internal Revenue Code of 1954 and is granted a tax exemption thereunder, no benefits or other payments shall be payable under this title to him, no payments shall be made on his behalf under part A of title XVIII, and no benefits or other payments under this title shall be payable on the basis of his wages and self-employment income to any other person, after the filing of such waiver; except that, if thereafter such individual's tax exemption under such section 1402(h) ceases to be effective, such waiver shall cease to be applicable in the case of benefits and other payments under this title and part A of title XVIII to the extent based on his self-employment income for and after the first taxable year for which such tax exemption ceases to be effective and on his wages for and after the calendar year (if any) which begins in or with the beginning of such taxable year.”

(e) The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1950. For such purpose, chapter 2 of the Internal Revenue Code of 1954 shall be treated as applying to all taxable years beginning after such date.

(f) If refund or credit of any overpayment resulting from the enactment of this section is prevented on the date of the enactment of this Act or at any time on or before April 15, 1966, by the operation of any law or rule of law, refund or credit of such overpayment may,

64 Stat. 518.

42 USC 405.

64 Stat. 482;

70 Stat. 838.

42 USC 402.

Ante, p. 391.

Ante, p. 291.

68A Stat. 353.

26 USC 1401-

1403.

nevertheless, be made or allowed if claim therefor is filed on or before April 15, 1966. No interest shall be allowed or paid on any overpayment resulting from the enactment of this section.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

72 Stat. 1019.  
42 USC 409.

SEC. 320. (a) (1) (A) Section 209(a) (3) of the Social Security Act is amended by inserting "and prior to 1966" after "1958".

(B) Section 209(a) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$6,600 with respect to employment has been paid to an individual during any calendar year after 1965, is paid to such individual during such calendar year;"

42 USC 411.

(2) (A) Section 211(b) (1) (C) of such Act is amended by inserting "and prior to 1966" after "1958", and by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211(b) (1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) For any taxable year ending after 1965, (i) \$6,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

72 Stat. 1019;  
74 Stat. 949.  
42 USC 413.

(3) (A) Section 213(a) (2) (ii) of such Act is amended by striking out "after 1958" and inserting in lieu thereof "after 1958 and before 1966, or \$6,600 in the case of a calendar year after 1965".

(B) Section 213(a) (2) (iii) of such Act is amended by striking out "after 1958" and inserting in lieu thereof "after 1958 and before 1966, or \$6,600 in the case of a taxable year ending after 1965".

42 USC 415.

(4) Section 215(e) (1) of such Act is amended by striking out "and the excess over \$4,800 in the case of any calendar year after 1958" and inserting in lieu thereof "the excess over \$4,800 in the case of any calendar year after 1958 and before 1966, and the excess over \$6,600 in the case of any calendar year after 1965".

26 USC 1402.

(b) (1) (A) Section 1402(b) (1) (C) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1966" after "1958", and by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 1402(b) (1) of such Code is further amended by adding at the end thereof the following new subparagraph:

"(D) for any taxable year ending after 1965, (i) \$6,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

68A Stat. 417;  
72 Stat. 1042.  
26 USC 3121.  
26 USC 3122.

(2) Section 3121(a) (1) of such Code (relating to definition of wages) is amended by striking out "\$4,800" each place it appears and inserting in lieu thereof "\$6,600".

(3) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "\$4,800" and inserting in lieu thereof "\$6,600".

74 Stat. 939.  
26 USC 3125.

(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam and American Samoa) is amended by striking out "\$4,800" where it appears in subsections (a) and (b) and inserting in lieu thereof "\$6,600".

72 Stat. 1043.  
26 USC 6413.

(5) Section 6413(c) (1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting "and prior to the calendar year 1966" after "the calendar year 1958";

(B) by inserting after "exceed \$4,800," the following: "or (C) during any calendar year after the calendar year 1965, the wages received by him during such year exceed \$6,600".

(C) by inserting before the period at the end thereof the following: "and before 1966, or which exceeds the tax with respect to the first \$6,600 of such wages received in such calendar year after 1965".

(6) Section 6413(c)(2)(A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out "or \$4,800 for any calendar year after 1958" and inserting in lieu thereof "\$4,800 for the calendar year 1959, 1960, 1961, 1962, 1963, 1964, or 1965, or \$6,600 for any calendar year after 1965".

(c) The amendments made by subsections (a)(1) and (a)(3)(A), and the amendments made by subsection (b) (except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1965. The amendments made by subsections (a)(2), (a)(3)(B), and (b)(1) shall apply only with respect to taxable years ending after 1965. The amendment made by subsection (a)(4) shall apply only with respect to calendar years after 1965.

#### CHANGES IN TAX SCHEDULES

SEC. 321. (a) Section 1401 of the Internal Revenue Code of 1954 (relating to rate of tax under the Self-Employment Contributions Act) is amended to read as follows:

##### "SEC. 1401. RATE OF TAX.

"(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1965, and before January 1, 1967, the tax shall be equal to 5.8 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 5.9 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1973, the tax shall be equal to 6.6 percent of the amount of the self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after December 31, 1972, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year.

"(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1965, and before January 1, 1967, the tax shall be equal to 0.35 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1973, the tax shall be equal to 0.50 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1976, the tax shall be equal to 0.55 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1975, and before January 1, 1980, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1979, and before January 1, 1987, the tax shall be equal to 0.70 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 1986, the tax shall be equal to 0.80 percent of the amount of the self-employment income for such taxable year.

For purposes of the tax imposed by this subsection, the exclusion of employee representatives by section 1402(c) (3) shall not apply."

68A Stat. 355.  
26 USC 1402.  
75 Stat. 141.  
26 USC 3101.

(b) Section 3101 of the Internal Revenue Code of 1954 (relating to rate of tax on employees under the Federal Insurance Contributions Act) is amended to read as follows:

**"SEC. 3101. RATE OF TAX.**

"(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

68A Stat. 417.  
26 USC 3121.

"(1) with respect to wages received during the calendar year 1966, the rate shall be 3.85 percent;

"(2) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

"(3) with respect to wages received during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 4.4 percent; and

"(4) with respect to wages received after December 31, 1972, the rate shall be 4.85 percent.

"(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b), but without regard to the provisions of paragraph (9) thereof insofar as it relates to employees)—

"(1) with respect to wages received during the calendar year 1966, the rate shall be 0.35 percent;

"(2) with respect to wages received during the calendar years 1967, 1968, 1969, 1970, 1971, and 1972, the rate shall be 0.50 percent;

"(3) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 0.55 percent;

"(4) with respect to wages received during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.60 percent;

"(5) with respect to wages received during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.70 percent; and

"(6) with respect to wages received after December 31, 1986, the rate shall be 0.80 percent."

(c) Section 3111 of the Internal Revenue Code of 1954 (relating to rate of tax on employers under the Federal Insurance Contributions Act) is amended to read as follows: 75 Stat. 141.  
26 USC 3111.

**“SEC. 3111. RATE OF TAX.**

“(a) **OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.**—In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))— 68A Stat. 417.  
26 USC 3121.

“(1) with respect to wages paid during the calendar year 1966, the rate shall be 3.85 percent;

“(2) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

“(3) with respect to wages paid during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 4.4 percent; and

“(4) with respect to wages paid after December 31, 1972, the rate shall be 4.85 percent.

“(b) **HOSPITAL INSURANCE.**—In addition to the tax imposed by the preceding subsection, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b), but without regard to the provisions of paragraph (9) thereof insofar as it relates to employees)—

“(1) with respect to wages paid during the calendar year 1966, the rate shall be 0.35 percent;

“(2) with respect to wages paid during the calendar years 1967, 1968, 1969, 1970, 1971, and 1972, the rate shall be 0.50 percent;

“(3) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 0.55 percent;

“(4) with respect to wages paid during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.60 percent;

“(5) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.70 percent;

“(6) with respect to wages paid after December 31, 1986, the rate shall be 0.80 percent.”

(d) The amendments made by subsection (a) shall apply only with respect to taxable years beginning after December 31, 1965. The amendments made by subsections (b) and (c) shall apply only with respect to remuneration paid after December 31, 1965.

**REIMBURSEMENT OF TRUST FUNDS FOR COST OF NONCONTRIBUTORY MILITARY SERVICE CREDITS**

**SEC. 322.** Section 217(g) of the Social Security Act is amended to read as follows: 70 Stat. 875.  
42 USC 417.

“(g) (1) In September 1965, and in every fifth September thereafter up to and including September 2010, the Secretary shall determine the amount which, if paid in equal installments at the beginning of each fiscal year in the period beginning—

“(A) with July 1, 1965, in the case of the first such determination, and

“(B) with the July 1 following the determination in the case of all other such determinations,

Ante, p. 299.

42 USC 410.

64 Stat. 4774

42 USC 301 note.

70 Stat. 819.

42 USC 401.

and ending with the close of June 30, 2015, would accumulate, with interest compounded annually, to an amount equal to the amount needed to place each of the Trust Funds and the Federal Hospital Insurance Trust Fund in the same position at the close of June 30, 2015, as he estimates they would otherwise be in at the close of that date if section 210 of this Act as in effect prior to the Social Security Act Amendments of 1950, and this section, had not been enacted. The rate of interest to be used in determining such amount shall be the rate determined under section 201(d) for public-debt obligations which were or could have been issued for purchase by the Trust Funds in the June preceding the September in which such determination is made.

“(2) There are authorized to be appropriated to the Trust Funds and the Federal Hospital Insurance Trust Fund—

“(A) for the fiscal year ending June 30, 1966, an amount equal to the amount determined under paragraph (1) in September 1965, and

“(B) for each fiscal year in the period beginning with July 1, 1966, and ending with the close of June 30, 2015, an amount equal to the annual installment for such fiscal year under the most recent determination under paragraph (1) which precedes such fiscal year.

“(3) For the fiscal year ending June 30, 2016, there is authorized to be appropriated to the Trust Funds and the Federal Hospital Insurance Trust Fund such sums as the Secretary determines would place the Trust Funds and the Federal Hospital Insurance Trust Fund in the same position in which they would have been at the close of June 30, 2015, if section 210 of this Act as in effect prior to the Social Security Act Amendments of 1950, and this section, had not been enacted.

“(4) There are authorized to be appropriated to the Trust Funds and the Federal Hospital Insurance Trust Fund annually, as benefits under this title and part A of title XVIII are paid after June 30, 2015, such sums as the Secretary determines to be necessary to meet the additional costs, resulting from subsections (a), (b), and (e), of such benefits (including lump-sum death payments).”

Ante, p. 291.

#### ADOPTION OF CHILD BY RETIRED WORKER

72 Stat. 1022.

42 USC 402.

Ante, p. 370.

SEC. 323. (a) Section 202(d) of the Social Security Act is amended—

(1) by striking out the last sentence in paragraph (1), and

(2) by adding at the end thereof (after the new paragraphs added by section 306 of this Act) the following new paragraphs:

“(9) In the case of—

“(A) an individual entitled to disability insurance benefits, or

“(B) an individual entitled to old-age insurance benefits who was entitled to disability insurance benefits for the month preceding the first month for which he was entitled to old-age insurance benefits,

a child of such individual adopted after such individual became entitled to such disability insurance benefits shall be deemed not to meet the requirements of clause (i) or (iii) of paragraph (1)(C) unless such child—

“(C) is the natural child or stepchild of such individual (including such a child who was legally adopted by such individual), or

“(D) was legally adopted by such individual before the end of the 24-month period beginning with the month after the month in which such individual most recently became entitled to disability insurance benefits, but only if—

“(i) proceedings for such adoption of the child had been instituted by such individual in or before the month in which began the period of disability of such individual which still exists at the time of such adoption (or, if such child was adopted by such individual after such individual attained age 65, the period of disability of such individual which existed in the month preceding the month in which he attained age 65), or

“(ii) such adopted child was living with such individual in such month.

“(10) If an individual entitled to old-age insurance benefits (but not an individual included under paragraph (9)) adopts a child after such individual becomes entitled to such benefits, such child shall be deemed not to meet the requirements of clause (i) of paragraph (1) (C) unless such child—

“(A) is the natural child or stepchild of such individual (including such a child who was legally adopted by such individual), or

“(B) was legally adopted by such individual before the end of the 24-month period beginning with the month after the month in which such individual became entitled to old-age insurance benefits, but only if—

“(i) such child had been receiving at least one-half of his support from such individual for the year before such individual filed his application for old-age insurance benefits or, if such individual had a period of disability which continued until he had become entitled to old-age insurance benefits, for the year before such period of disability began, and

“(ii) either proceedings for such adoption of the child had been instituted by such individual in or before the month in which the individual filed his application for old-age insurance benefits or such adopted child was living with such individual in such month.”

(b) The amendments made by subsection (a) of this section shall be applicable to persons who file applications, or on whose behalf applications are filed, for benefits under section 202(d) of the Social Security Act on or after the date this section is enacted. The time limit provided by section 202(d) (10) (B) of such Act as amended by this section for legally adopting a child shall not apply in the case of any child who is adopted before the end of the 12-month period following the month in which this section is enacted.

72 Stat. 1022.  
42 USC 402.  
Supra.

EXTENSION OF PERIOD FOR FILING PROOF OF SUPPORT AND APPLICATIONS  
FOR LUMP-SUM DEATH PAYMENT

SEC. 324. (a) Section 202(p) of the Social Security Act is amended to read as follows:

70 Stat. 832.  
42 USC 402.

“Extension of Period for Filing Proof of Support and Applications  
for Lump-Sum Death Payment

“(p) In any case in which there is a failure—

“(1) to file proof of support under subparagraph (C) of subsection (c) (1), clause (i) or (ii) of subparagraph (D) of subsection (f) (1), or subparagraph (B) of subsection (h) (1). or

64 Stat. 477.  
42 USC 301 note.

under clause (B) of subsection (f) (1) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subparagraph or clause, or

“(2) to file, in the case of a death after 1946, application for a lump-sum death payment under subsection (i), or under subsection (g) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subsection,

any such proof or application, as the case may be, which is filed after the expiration of such period shall be deemed to have been filed within such period if it is shown to the satisfaction of the Secretary that there was good cause for failure to file such proof or application within such period. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.”

(b) The amendments made by this section shall be effective with respect to (1) applications for lump-sum death payments filed in or after the month in which this Act is enacted, and (2) monthly benefits based on applications filed in or after such month.

TREATMENT OF CERTAIN ROYALTIES FOR RETIREMENT TEST PURPOSES

74 Stat. 956.  
42 USC 403.

SEC. 325. (a) (1) Subparagraph (B) of section 203 (f) (5) of the Social Security Act is amended to read as follows:

“(B) For purposes of this section—

42 USC 41i.

“(i) an individual's net earnings from self-employment for any taxable year shall be determined as provided in section 211, except that paragraphs (1), (4), and (5) of section 211(c) shall not apply and the gross income shall be computed by excluding the amounts provided by subparagraph (D), and

68A Stat. 239.  
26 USC 702.

“(ii) an individual's net loss from self-employment for any taxable year is the excess of the deductions (plus his distributive share of loss described in section 702(a) (9) of the Internal Revenue Code of 1954) taken into account under clause (i) over the gross income (plus his distributive share of income so described) taken into account under clause (i).”

(2) Such section 203(f) (5) is further amended by adding at the end thereof the following new subparagraph:

“(D) In the case of an individual—

“(i) who has attained the age of 65 on or before the last day of the taxable year, and

“(ii) who shows to the satisfaction of the Secretary that he is receiving royalties attributable to a copyright or patent obtained before the taxable year in which he attained the age of 65 and that the property to which the copyright or patent relates was created by his own personal efforts,

there shall be excluded from gross income any such royalties.”

(b) The amendments made by subsection (a) shall apply with respect to the computation of net earnings from self-employment and the net loss from self-employment for taxable years beginning after 1964.

## AMENDMENTS PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEMS

SEC. 326. (a) Section 1(q) of the Railroad Retirement Act of 1937 is amended by striking out "1961" and inserting in lieu thereof "1965". 50 Stat. 307; 75 Stat. 142.

(b) Section 5(1)(9) of such Act is amended by striking out "after 1958 is less than \$4,800" and inserting in lieu thereof the following: "after 1958 and before 1966 is less than \$4,800, or for any calendar year after 1965 is less than \$6,600"; and by striking out "and \$4,800 for years after 1958", and inserting in lieu thereof the following: "\$4,800 for years after 1958 and before 1966, and \$6,600 for years after 1965". 45 USC 228a. 73 Stat. 27. 45 USC 228e.

## TECHNICAL AMENDMENT RELATING TO MEETINGS OF BOARD OF TRUSTEES OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE TRUST FUNDS

SEC. 327. Section 201(c) of the Social Security Act is amended by striking out "six months" in the fourth sentence and inserting in lieu thereof "calendar year". 70 Stat. 819. 42 USC 401.

## APPLICATIONS FOR BENEFITS

SEC. 328. (a) Section 202(j)(2) of the Social Security Act is amended to read as follows: 64 Stat. 487. 42 USC 402.

"(2) An application for any monthly benefits under this section filed before the first month in which the applicant satisfies the requirements for such benefits shall be deemed a valid application only if the applicant satisfies the requirements for such benefits before the Secretary makes a final decision on the application. If upon final decision by the Secretary, or decision upon judicial review thereof, such applicant is found to satisfy such requirements, the application shall be deemed to have been filed in such first month."

(b) Section 216(i)(2) of such Act (as amended by subsection *Ante*, p. 367. (b)(1) of section 303) is amended by inserting after subparagraph (E) the following:

"(F) An application for a disability determination filed before the first day on which the applicant satisfies the requirements for a period of disability under this subsection shall be deemed a valid application only if the applicant satisfies the requirements for a period of disability before the Secretary makes a final decision on the application. If upon final decision by the Secretary, or decision upon judicial review thereof, such applicant is found to satisfy such requirements, the application shall be deemed to have been filed on such first day."

(c) The first sentence of section 223(b) of such Act is amended to read as follows: "An application for disability insurance benefits filed before the first month in which the applicant satisfies the requirements for such benefits (as prescribed in subsection (a)(1)) shall be deemed a valid application only if the applicant satisfies the requirements for such benefits before the Secretary makes a final decision on the application. If, upon final decision by the Secretary, or decision upon judicial review thereof, such applicant is found to satisfy such requirements, the application shall be deemed to have been filed in such first month." 70 Stat. 815. 42 USC 423.

79 STAT. 401.53 Stat. 1370.  
42 USC 405.

(d) The amendments made by this section shall apply with respect to (1) applications filed on or after the date of enactment of this Act, (2) applications as to which the Secretary has not made a final decision before the date of enactment of this Act, and (3) if a civil action with respect to final decision by the Secretary has been commenced under section 205(g) of the Social Security Act before the date of enactment of this Act, applications as to which there has been no final judicial decision before the date of enactment of this Act.

## UNDERPAYMENTS

42 USC 404.

SEC. 329. Section 204 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, and the total amount due at the time of his death does not exceed the amount of the monthly insurance benefit to which he was entitled for the month preceding the month in which he died, payment of the amount due shall be made—

“(1) to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and to have been living in the same household with the deceased at the time of his death, or

“(2) if there is no such person, or if such person dies before receiving payment, to the legal representative of the estate of such deceased individual.”

## PAYMENTS TO TWO OR MORE INDIVIDUALS OF THE SAME FAMILY

SEC. 330. Section 205(n) of the Social Security Act is amended to read as follows:

“(n) The Secretary may, in his discretion, certify to the Managing Trustee any two or more individuals of the same family for joint payment of the total benefits payable to such individuals for any month, and if one of such individuals dies before a check representing such joint payment is negotiated, payment of the amount of such unnegotiated check to the surviving individual or individuals may be authorized in accordance with regulations of the Secretary of the Treasury; except that appropriate adjustment or recovery shall be made under section 204(a) with respect to so much of the amount of such check as exceeds the amount to which such surviving individual or individuals are entitled under this title for such month.”

## VALIDATING CERTIFICATES FILED BY MINISTERS

68 Stat. 1088.  
26 USC 1402.

SEC. 331. (a) Section 1402(e) of the Internal Revenue Code of 1954 (relating to certificates to waive tax exemption on self-employment income in the case of ministers, members of religious orders, and Christian Science practitioners) is amended by striking out paragraphs (5) and (6) and inserting in lieu thereof the following:

“(5) OPTIONAL PROVISION FOR CERTAIN CERTIFICATES FILED ON OR BEFORE APRIL 15, 1967.—Notwithstanding any other provision of this section, in any case where an individual has derived earnings in any taxable year ending after 1954 from the performance of service described in subsection (c)(4), or in subsection (c)(5) insofar as it related to the performance of service by an individual

in the exercise of his profession as a Christian Science practitioner, and has reported such earnings as self-employment income on a return filed on or before the due date prescribed for filing such return (including any extension thereof)—

“(A) a certificate filed by such individual on or before April 15, 1966, which (but for this subparagraph) is ineffective for the first taxable year ending after 1954 for which such a return was filed shall be effective for such first taxable year and for all succeeding taxable years, provided a supplemental certificate is filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205(c)(1)(C) of the Social Security Act) after the date of enactment of the Social Security Amendments of 1965 and on or before April 15, 1967, and

64 Stat. 518.  
42 USC 405.

“(B) a certificate filed after the date of enactment of the Social Security Amendments of 1965 and on or before April 15, 1967, by a survivor (within the meaning of section 205(c)(1)(C) of the Social Security Act) of such an individual who died on or before April 15, 1966, may be effective, at the election of the person filing such a certificate, for the first taxable year ending after 1954 for which such a return was filed and for all succeeding years,

but only if—

“(i) the tax under section 1401 in respect to all such individual's self-employment income (except for underpayments of tax attributable to errors made in good faith), for each such year described in subparagraphs (A) and (B) ending before January 1, 1966, is paid on or before April 15, 1967, and

Ante, p. 394.

“(ii) in any case where refund has been made of any such tax which (but for this paragraph) is an overpayment, the amount refunded (including any interest paid under section 6611) is repaid on or before April 15, 1967.

68A Stat. 819.  
26 USC 6611.  
26 USC 6401.

The provisions of section 6401 shall not apply to any payment or repayment described in this paragraph.”

(b) In the case of a certificate or supplemental certificate filed pursuant to section 1402(e)(5) of the Internal Revenue Code of 1954, as amended by subsection (a)—

(1) for purposes of computing interest, the due date for the payment of the tax under section 1401 of such Code which is due for any taxable year ending before January 1, 1966, solely by reason of the filing of a certificate which is effective under such section 1402(e)(5) shall be April 15, 1967;

(2) for purposes of section 6501 of such Code, the statutory period for the assessment of any tax for any taxable year for which tax is due solely by reason of the filing of such certificate shall not expire before April 16, 1970; and

(3) for purposes of section 6651 of such Code (relating to addition to tax for failure to file tax return), the amount of tax required to be shown on the return shall not include tax under section 1401 of such Code which is due for any taxable year ending before January 1, 1966, solely by reason of the filing of a certificate which is effective under section 1402(e)(5).

26 USC 6651.

(c) Notwithstanding any provision of section 205(c)(5)(F) of the Social Security Act, the Secretary of Health, Education, and Welfare may conform, before April 16, 1970, his records to tax returns or state-

74 Stat. 933.  
42 USC 405.

ments of earnings which constitute self-employment income solely by reason of the filing of a certificate which is effective under section 1402(e) (5) of such Code.

Ante, p. 401.

(d) The amendments made by this section shall be applicable (except as otherwise specifically provided therein) only to certificates with respect to which supplemental certificates are filed pursuant to section 1402(e) (5) (A) of such Code after the date of the enactment of this Act, and to certificates filed pursuant to section 1402(e) (5) (B) after such date; except that no monthly benefits under title II of the Social Security Act for the month in which this Act is enacted or any prior month shall be payable or increased by reason of such amendments, and no lump-sum death payment under such title shall be payable or increased by reason of such amendments in the case of any individual who died prior to the date of the enactment of this Act. The provisions of section 1402(e) (5) and (6) of the Internal Revenue Code of 1954 which were in effect before the date of enactment of this Act shall be applicable with respect to any certificate filed pursuant thereto before such date if a supplemental certificate is not filed with respect to such certificate as provided in this section.

DETERMINATION OF ATTORNEYS' FEES IN COURT PROCEEDINGS UNDER  
TITLE II

53 Stat. 1372.  
42 USC 406.

SEC. 332. The heading of section 206 of the Social Security Act is amended to read "REPRESENTATION OF CLAIMANTS". Such section is further amended by inserting "(a)" after "SEC. 206." and by adding at the end of such section the following new subsection:

42 USC 405.

"(b) (1) Whenever a court renders a judgment favorable to a claimant under this title who was represented before the court by an attorney, the court may determine and allow as part of its judgment a reasonable fee for such representation, not in excess of 25 percent of the total of the past-due benefits to which the claimant is entitled by reason of such judgment, and the Secretary may, notwithstanding the provisions of section 205(i), certify the amount of such fee for payment to such attorney out of, and not in addition to, the amount of such past-due benefits. In case of any such judgment, no other fee may be payable or certified for payment for such representation except as provided in this paragraph.

"(2) Any attorney who charges, demands, receives, or collects for services rendered in connection with proceedings before a court to which paragraph (1) is applicable any amount in excess of that allowed by the court thereunder shall be guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than \$500, or imprisonment for not more than one year, or both."

CONTINUATION OF WIDOW'S AND WIDOWER'S INSURANCE BENEFITS AFTER  
REMARRIAGE

Ante, p. 376.

SEC. 333. (a) (1) Subsection (e) of section 202 of the Social Security Act, as amended by section 308 of this Act, is amended by adding at the end thereof the following new paragraph:

"(4) If a widow, after attaining the age of 60, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (3)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that, notwithstanding the provisions of paragraph (2) and subsection (q), such widow's insur-

ance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the husband dies or such marriage is otherwise terminated, shall be equal to 50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based."

(2) Paragraph (2) of such subsection, as amended by section 307 of this Act, is further amended by inserting before the comma "and Ante, p. 373. paragraph (4) of this subsection".

(b)(1) Subsection (f) of such section is amended by adding at the end thereof the following new paragraph: 64 Stat. 485.  
42 USC 402.

"(5) If a widower, after attaining the age of 62, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (4)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that, notwithstanding the provisions of paragraph (3) and subsection (q), such widower's insurance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the wife dies or such marriage is otherwise terminated, shall be equal to 50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based."

(2) Paragraph (3) of such subsection is amended by striking out "Such" and inserting in lieu thereof "Except as provided in paragraph (5), such".

(c)(1) Paragraph (2)(B) of subsection (k) of such section 202 is amended by inserting "other than an individual to whom subsection (e) (4) or (f) (5) applies" after "Any individual" and by adding at the end thereof the following new sentence: "Any individual who is entitled for any month to more than one widow's or widower's insurance benefit to which subsection (e) (4) or (f) (5) applies shall be entitled to only one such benefit for such month, such benefit to be the largest of such benefits."

(2) Paragraph (3) of such subsection is amended by inserting "(A)" after "(3)" and by adding at the end thereof the following new subparagraph:

"(B) If an individual is entitled for any month to a widow's or widower's insurance benefit to which subsection (e)(4) or (f)(5) applies and to any other monthly insurance benefit under section 202 (other than an old-age insurance benefit), such other insurance benefit for such month, after any reduction under subparagraph (A), any reduction under subsection (q), and any reduction under section 203(a), shall be reduced, but not below zero, by an amount equal to such widow's or widower's insurance benefit after any reduction or reductions under such subparagraph (A) and such section 203(a)."

75 Stat. 131.  
72 Stat. 1017.  
42 USC 403.

(d) The amendments made by this section shall apply with respect to monthly insurance benefits under section 202 of the Social Security Act beginning with the second month following the month in which this Act is enacted; but, in the case of an individual who was not entitled to a monthly insurance benefit under section 202(e) or (f) of such Act for the first month following the month in which this Act is enacted, only on the basis of an application filed in or after the month in which this Act is enacted.

#### CHANGES IN DEFINITIONS OF WIFE, WIDOW, HUSBAND, AND WIDOWER

SEC. 334. (a) Section 216(b) of the Social Security Act, as amended by section 306 of this Act, is amended by striking out "or" at the end of clause (3)(A), and by inserting immediately before the period at the end thereof the following: "or (C) was entitled to, or upon appli- Ante, p. 373.

50 Stat. 312.  
45 USC 228e.  
Ante, p. 373.

cation therefor and attainment of the required age (if any) would have been entitled to, a widow's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended".

(b) Section 216(c) of such Act, as amended by section 306 of this Act, is amended by striking out "or" at the end of clause (6) (A), and by inserting immediately before the period at the end thereof the following: ", or (C) she was entitled to, or upon application therefor and attainment of the required age (if any) would have been entitled to, a widow's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended".

(c) Section 216(f) of such Act, as amended by section 306 of this Act, is amended by striking out "or" at the end of clause (3) (A), and by inserting immediately before the period at the end thereof the following: ", or (C) he was entitled to, or upon application therefor and attainment of the required age (if any) he would have been entitled to, a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended".

(d) Section 216(g) of such Act, as amended by section 306 of this Act, is amended by striking out "or" at the end of clause (6) (A), and by inserting immediately before the period at the end thereof the following: ", or (C) he was entitled to, or on application therefor and attainment of the required age (if any) he would have been entitled to, a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended".

72 Stat. 1026.  
42 USC 402.

(e) Section 202(c)(2) is amended by striking out "or" at the end of subparagraph (A), by striking out the period at the end of subparagraph (B) and inserting in lieu thereof "; or", and by adding after such subparagraph (B) the following new subparagraph:

"(C) in the month prior to the month of his marriage to such individual he was entitled to, or on application therefor and attainment of the required age (if any) would have been entitled to, a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended."

(f) Section 202(f)(2) of such Act is amended by striking out "or" at the end of subparagraph (A), by striking out the period at the end of subparagraph (B) and inserting in lieu thereof "; or", and by adding after such subparagraph (B) the following new subparagraph:

"(C) in the month prior to the month of his marriage to such individual he was entitled to, or on application therefor and attainment of the required age (if any), would have been entitled to, a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended."

(g) The amendments made by this section shall be applicable only with respect to monthly insurance benefits under title II of the Social Security Act beginning with the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

## REDUCTION OF BENEFITS ON RECEIPT OF WORKMEN'S COMPENSATION

SEC. 335. Effective with respect to benefits under title II of the Social Security Act for months after December 1965 based on the wages and self-employment income of an individual who is entitled to benefits under section 223 of such Act and whose period of disability (as defined in such title) began after June 1, 1965, title II of such Act is amended by inserting after section 223 the following new section:

70 Stat. 815;  
72 Stat. 1025.  
42 USC 423.

## "REDUCTION OF BENEFITS BASED ON DISABILITY ON ACCOUNT OF RECEIPT OF WORKMEN'S COMPENSATION

"SEC. 224. (a) If for any month prior to the month in which an individual attains the age of 62—

"(1) such individual is entitled to benefits under section 223, and

"(2) such individual is entitled for such month, under a workmen's compensation law or plan of the United States or a State, to periodic benefits for a total or partial disability (whether or not permanent), and the Secretary has, in a prior month, received notice of such entitlement for such month,

the total of his benefits under section 223 for such month and of any benefits under section 202 for such month based on his wages and self-employment income shall be reduced (but not below zero) by the amount by which the sum of—

64 Stat. 482.  
42 USC 402.

"(3) such total of benefits under sections 223 and 202 for such month, and

"(4) such periodic benefits payable (and actually paid) for such month to such individual under the workmen's compensation law or plan,

exceeds the higher of—

"(5) 80 per centum of his 'average current earnings', or

"(6) the total of such individual's disability insurance benefits under section 223 for such month and of any monthly insurance benefits under section 202 for such month based on his wages and self-employment income, prior to reduction under this section.

In no case shall the reduction in the total of such benefits under sections 223 and 202 for a month (in a continuous period of months) reduce such total below the sum of—

"(7) the total of the benefits under sections 223 and 202, after reduction under this section, with respect to all persons entitled to benefits on the basis of such individual's wages and self-employment income for such month which were determined for such individual and such persons for the first month for which reduction under this section was made (or which would have been so determined if all of them had been so entitled in such first month), and

"(8) any increase in such benefits with respect to such individual and such persons, before reduction under this section, which is made effective for months after the first month for which reduction under this section is made.

For purposes of clause (5), an individual's average current earnings means the larger of (A) the average monthly wage used for purposes of computing his benefits under section 223, or (B) one-sixtieth of the total of his wages and self-employment income for the five consecutive calendar years after 1950 for which such wages and self-employment income were highest.

"(b) If any periodic benefit under a workmen's compensation law or plan is payable on other than a monthly basis (excluding a benefit payable as a lump sum except to the extent that it is a commutation of, or a substitute for, periodic payments), the reduction under this section shall be made at such time or times and in such amounts as the Secretary finds will approximate as nearly as practicable the reduction prescribed by subsection (a).

Ante, p. 363.  
70 Stat. 817.  
42 USC 422.

"(c) Reduction of benefits under this section shall be made after any reduction under subsection (a) of section 203, but before deductions under such section and under section 222(b).

70 Stat. 815.  
42 USC 423.

"(d) The reduction of benefits required by this section shall not be made if the workmen's compensation law or plan under which a periodic benefit is payable provides for the reduction thereof when anyone is entitled to benefits under this title on the basis of the wages and self-employment income of an individual entitled to benefits under section 223.

64 Stat. 482.  
42 USC 402.

"(e) If it appears to the Secretary that an individual may be eligible for periodic benefits under a workmen's compensation law or plan which would give rise to reduction under this section, he may require, as a condition of certification for payment of any benefits under section 223 to any individual for any month and of any benefits under section 202 for such month based on such individual's wages and self-employment income, that such individual certify (i) whether he has filed or intends to file any claim for such periodic benefits, and (ii) if he has so filed, whether there has been a decision on such claim. The Secretary may, in the absence of evidence to the contrary, rely upon such a certification by such individual that he has not filed and does not intend to file such a claim, or that he has so filed and no final decision thereon has been made, in certifying benefits for payment pursuant to section 205(i).

53 Stat. 1362.  
42 USC 405.

"(f) (1) In the second calendar year after the year in which reduction under this section in the total of an individual's benefits under section 223 and any benefits under section 202 based on his wages and self-employment income was first required (in a continuous period of months), and in each third year thereafter, the Secretary shall redetermine the amount of such benefits which are still subject to reduction under this section; but such redetermination shall not result in any decrease in the total amount of benefits payable under this title on the basis of such individual's wages and self-employment income. Such redetermined benefit shall be determined as of, and shall become effective with, the January following the year in which such redetermination was made.

"(2) In making the redetermination required by paragraph (1), the individual's average current earnings (as defined in subsection (a)) shall be deemed to be the product of his average current earnings as initially determined under subsection (a) and the ratio of (i) the average of the taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which such redetermination is made, to (ii) the average of the taxable wages of such persons reported to the Secretary for the first calendar quarter of the taxable year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability). Any amount determined under the preceding sentence which is not a multiple of \$1 shall be reduced to the next lower multiple of \$1.

“(g) Whenever a reduction in the total of benefits for any month based on an individual’s wages and self-employment income is made under this section, each benefit, except the disability insurance benefit, shall first be proportionately decreased, and any excess of such reduction over the sum of all such benefits other than the disability insurance benefit shall then be applied to such disability insurance benefit.”

**PAYMENT OF COSTS OF REHABILITATION SERVICES FROM THE TRUST FUNDS**

SEC. 336. Section 222 of the Social Security Act is amended by adding at the end thereof the following new subsection: 70 Stat. 817.  
42 USC 422.

**“COSTS OF REHABILITATION SERVICES FROM TRUST FUNDS**

“(d) (1) For the purpose of making vocational rehabilitation services more readily available to disabled individuals who are—

“(A) entitled to disability insurance benefits under section 223, or

70 Stat. 815.  
42 USC 423.

“(B) entitled to child’s insurance benefits under section 202

64 Stat. 482.  
42 USC 402.

(d) after having attained age 18 (and are under a disability), to the end that savings will result to the Trust Funds as a result of rehabilitating the maximum number of such individuals into productive activity, there are authorized to be transferred from the Trust Funds such sums as may be necessary to enable the Secretary to pay the costs of vocational rehabilitation services for such individuals (including (i) services during their waiting periods, and (ii) so much of the expenditures for the administration of any State plan as is attributable to carrying out this subsection); except that the total amount so made available pursuant to this subsection in any fiscal year may not exceed 1 percent of the total of the benefits under section 202(d) for children who have attained age 18 and are under a disability, and the benefits under section 223, which were certified for payment in the preceding year. The selection of individuals (including the order in which they shall be selected) to receive such services shall be made in accordance with criteria formulated by the Secretary which are based upon the effect the provision of such services would have upon the Trust Funds.

“(2) In the case of each State which is willing to do so, such vocational rehabilitation services shall be furnished under a State plan for vocational rehabilitation services which—

“(A) has been approved under section 5 of the Vocational Rehabilitation Act,

68 Stat. 656.  
29 USC 35.

“(B) provides that, to the extent funds provided under this subsection are adequate for the purpose, such services will be furnished, to any individual in the State who meets the criteria prescribed by the Secretary pursuant to paragraph (1), with reasonable promptness and in accordance with the order of selection determined under such criteria, and

“(C) provides that such services will be furnished to any individual without regard to (i) his citizenship or place of residence, (ii) his need for financial assistance except as provided in regulations of the Secretary in the case of maintenance during rehabilitation, or (iii) any order of selection which would otherwise be followed under the State plan pursuant to section 5(a)(4) of the Vocational Rehabilitation Act.

“(3) In the case of any State which does not have a plan which meets the requirements of paragraph (2), the Secretary may provide such services by agreement or contract with other public or private agencies, organizations, institutions, or individuals.

“(4) Payments under this subsection may be made in installments, and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments.

70 Stat. 815.  
42 USC 423.  
64 Stat. 482.  
42 USC 402.

“(5) Money paid from the Trust Funds under this subsection to pay the costs of providing services to individuals who are entitled to benefits under section 223 (including services during their waiting periods), or who are entitled to benefits under section 202(d) on the basis of the wages and self-employment income of such individuals shall be charged to the Federal Disability Insurance Trust Fund, and all other money paid out from the Trust Funds under this subsection shall be charged to the Federal Old-Age and Survivors Insurance Trust Fund. The Secretary shall determine according to such methods and procedures as he may deem appropriate—

“(A) the total cost of the services provided under this subsection, and

“(B) subject to the provisions of the preceding sentence, the amount of such cost which should be charged to each of such Trust Funds.

68 Stat. 652.  
29 USC 31 note.

“(6) For the purposes of this subsection the term ‘vocational rehabilitation services’ shall have the meaning assigned to it in the Vocational Rehabilitation Act, except that such services may be limited in type, scope, or amount in accordance with regulations of the Secretary designed to achieve the purposes of this subsection.”

TEACHERS IN THE STATE OF MAINE

72 Stat. 1040;  
78 Stat. 240.  
42 USC 418 note.

SEC. 337. (a) Section 316 of the Social Security Amendments of 1958 is amended by striking out “July 1, 1965” and inserting in lieu thereof “July 1, 1967”.

(b) The amendment made by this section shall be effective as of July 1, 1965.

MODIFICATION OF AGREEMENT WITH NORTH DAKOTA AND IOWA WITH RESPECT TO CERTAIN STUDENTS

64 Stat. 514.  
42 USC 418.

SEC. 338. Notwithstanding any provision of section 218 of the Social Security Act, the agreements with the States of North Dakota and Iowa entered into pursuant to such section may, at the option of the State, be modified so as to exclude service performed in any calendar quarter in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university and if the remuneration for such service is less than \$50. Any modification of either of such agreements pursuant to this Act shall be effective with respect to services performed after an effective date specified in such modification, except that such date shall not be earlier than the date of enactment of this Act.

QUALIFICATION OF CHILDREN NOT QUALIFIED UNDER STATE LAW

71 Stat. 519;  
72 Stat. 1030.  
42 USC 416.

SEC. 339. (a) Section 216(h) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

“(3) An applicant who is the son or daughter of a fully or currently insured individual, but who is not (and is not deemed to be) the child of such insured individual under paragraph (2), shall nevertheless be deemed to be the child of such insured individual if:

“(A) in the case of an insured individual entitled to old-age insurance benefits (who was not, in the month preceding such entitlement, entitled to disability insurance benefits)—

“(i) such insured individual—

“(I) has acknowledged in writing that the applicant is his son or daughter,

“(II) has been decreed by a court to be the father of the applicant, or

“(III) has been ordered by a court to contribute to the support of the applicant because the applicant is his son or daughter,

and such acknowledgment, court decree, or court order was made not less than one year before such insured individual became entitled to old-age insurance benefits or attained age 65, whichever is earlier; or

“(ii) such insured individual is shown by evidence satisfactory to the Secretary to be the father of the applicant and was living with or contributing to the support of the applicant at the time such insured individual became entitled to benefits or attained age 65, whichever first occurred;

“(B) in the case of an insured individual entitled to disability insurance benefits, or who was entitled to such benefits in the month preceding the first month for which he was entitled to old-age insurance benefits—

“(i) such insured individual—

“(I) has acknowledged in writing that the applicant is his son or daughter,

“(II) has been decreed by a court to be the father of the applicant, or

“(III) has been ordered by a court to contribute to the support of the applicant because the applicant is his son or daughter,

and such acknowledgment, court decree, or court order was made before such insured individual's most recent period of disability began; or

“(ii) such insured individual is shown by evidence satisfactory to the Secretary to be the father of the applicant and was living with or contributing to the support of that applicant at the time such period of disability began;

“(C) in the case of a deceased individual—

“(i) such insured individual—

“(I) had acknowledged in writing that the applicant is his son or daughter,

“(II) had been decreed by a court to be the father of the applicant, or

“(III) had been ordered by a court to contribute to the support of the applicant because the applicant was his son or daughter,

and such acknowledgment, court decree, or court order was made before the death of such insured individual, or

“(ii) such insured individual is shown by evidence satisfactory to the Secretary to have been the father of the applicant, and such insured individual was living with or contributing to the support of the applicant at the time such insured individual died.”

(b) Section 202(d) of such Act is amended by inserting after “216(h)(2)(B)” the following: “or section 216(h)(3)”. 74 Stat. 952.  
42 USC 402.

42 USC 401-425. (c) The amendments made by subsections (a) and (b) shall be applicable with respect to monthly insurance benefits under title II of the Social Security Act beginning with the second month following the month in which this Act is enacted but only on the basis of an application filed in or after the month in which this Act is enacted.

DISCLOSURE, UNDER CERTAIN CIRCUMSTANCES, TO COURTS AND INTERESTED WELFARE AGENCIES OF WHEREABOUTS OF INDIVIDUALS

64 Stat. 559.  
42 USC 1306. SEC. 340. Section 1106 of the Social Security Act is amended by adding at the end thereof the following new subsection:

42 USC 301 et seq. "(c)(1) Upon request (filed in accordance with paragraph (2) of this subsection) of any State or local agency participating in administration of the State plan approved under title I, IV, X, XIV, XVI, or XIX, or participating in the administration of any other State or local public assistance program, for the most recent address of any individual included in the files of the Department of Health, Education, and Welfare maintained pursuant to section 205, the Secretary shall furnish such address, or the address of the most recent employer, or both, if such agency certifies that—

"(A) an order has been issued by a court of competent jurisdiction against such individual for the support and maintenance of his child or children who are under the age of 16 in destitute or necessitous circumstances,

"(B) such child or children are applicants for or recipients of assistance available under such a plan or program,

"(C) such agency has attempted without success to secure such information from all other sources reasonably available to it, and

"(D) such information is requested (for its own use, or on the request and for the use of the court which issued the order) for the purpose of obtaining such support and maintenance.

"(2) A request under paragraph (1) shall be filed in such manner and form as the Secretary may prescribe, and shall be accompanied by a certified copy of the order referred to in paragraph (1)(A).

"(3) The penalties provided in the second sentence of subsection (a) shall apply with respect to use of information provided under paragraph (1) of this subsection except for the purpose authorized by subparagraph (D) thereof.

"(4) The Secretary, in such cases and to such extent as he may prescribe in accordance with regulations, may require payment for the cost of information provided under paragraph (1); and the provisions of the second sentence of subsection (b) shall apply also with respect to payment under this paragraph."

ADDITIONAL PERIOD FOR FILING MINISTERS CERTIFICATES

71 Stat. 521;  
78 Stat. 1076.  
26 USC 1402. SEC. 341. (a) Clause (B) of section 1402(e)(2) of the Internal Revenue Code of 1954 (relating to time for filing waiver certificate by ministers, members of religious orders, and Christian Science practitioners) is amended by striking out "his second taxable year ending after 1962" and inserting in lieu thereof "his second taxable year ending after 1963".

74 Stat. 926;  
78 Stat. 1077. (b) Section 1402(e)(3) of such Code (relating to effective date of certificate) is amended by adding at the end thereof the following new subparagraph:

“(D) Notwithstanding the first sentence of subparagraph (A), if an individual files a certificate after the date of the enactment of this subparagraph and on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1963, such certificate shall be effective for his first taxable year ending after 1962 and all succeeding years.”

(c) The amendments made by subsections (a) and (b) shall be applicable only with respect to certificates filed pursuant to section 1402 (e) of the Internal Revenue Code of 1954 after the date of the enactment of this Act; except that no monthly benefits under title II of the Social Security Act for the month in which this Act is enacted or any prior month shall be payable or increased by reason of such amendments. 26 USC 1402. 42 USC 401-425.

RECTIFYING ERROR IN INTERPRETING LAW WITH RESPECT TO CERTAIN  
SCHOOL EMPLOYEES IN ALASKA

Sec. 342. For purposes of the agreement under section 218 of the Social Security Act entered into by the State of Alaska, or its predecessor the Territory of Alaska, where employees of an integral unit of a political subdivision of the State or Territory of Alaska have in good faith been included under the State or Territory's agreement as a coverage group on the basis that such integral unit of a political subdivision was a political subdivision, then such unit of the political subdivision shall, for purposes of section 218(b)(2) of such Act, be deemed to be a political subdivision, and employees performing services within such unit shall be deemed to be a coverage group, effective with the effective date specified in such agreement or modification of such agreement with respect to such coverage group and ending with the last day of the year in which this Act is enacted. 64 Stat. 514. 42 USC 418.

CONTINUATION OF CHILD'S INSURANCE BENEFITS AFTER ADOPTION BY  
BROTHER OR SISTER

Sec. 343. (a) Section 202(d)(1)(D) of the Social Security Act (as amended by section 306(b) of this Act) is further amended by striking out “or uncle” and inserting in lieu thereof “uncle, brother, or sister”. Ante, p. 371.

(b) The amendment made by subsection (a) shall apply only with respect to monthly insurance benefits under title II of the Social Security Act for months after the month in which this Act is enacted; except that, in the case of an individual who was not entitled to child's insurance benefits under section 202(d) of such Act for the month in which this Act was enacted, such amendment shall apply only on the basis of an application filed in or after the month in which this Act is enacted. 64 Stat. 482. 42 USC 402.

DISABILITY INSURANCE BENEFITS FOR THE BLIND; SPECIAL PROVISIONS

Sec. 344. (a) Section 216(i)(3) of the Social Security Act (as amended by section 303 of this Act) is further amended by striking out subparagraph (B) and all that follows and inserting in lieu thereof the following: Ante, p. 367.

“(B)(i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with such quarter, or

“(ii) if such quarter ends before he attains (or would attain) age 31 and he is under a disability by reason of blindness (as

defined in paragraph (1)), not less than one-half (and not less than 6) of the quarters during the period ending with such quarter and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage;

except that the provisions of subparagraph (A) of this paragraph shall not apply in the case of an individual with respect to whom a period of disability would, but for such subparagraph, begin before 1951. For purposes of subparagraph (B) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a prior period of disability unless such quarter was a quarter of coverage."

70 Stat. 815.  
42 USC 423.

(b) Section 223(c)(1) of such Act is amended by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B)(i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with the quarter in which such month occurred, or

68 Stat. 1080.  
42 USC 416.

"(ii) if such month ends before he attains (or would attain) age 31 and he is under a disability by reason of blindness (as defined in section 216(i)(1)), not less than one-half (and not less than 6) of the quarters during the period ending with the quarter in which such month occurred and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage.

For purposes of subparagraph (B) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a period of disability unless such quarter was a quarter of coverage."

Ante, p. 367.

(c) Section 223(a)(1) of such Act (as amended by section 303 of this Act) is further amended by adding the following sentence at the end thereof: "No payment under this paragraph may be made to an individual who would not meet the definition of disability in subsection (c)(2) except for subparagraph (B) thereof for any month in which he engages in substantial gainful activity, and no payment may be made for such month under subsection (b), (c), or (d) of section 202 to any person on the basis of the wages and self-employment income of such individual."

Ante, p. 375.  
64 Stat. 482.  
42 USC 402.

(d) The first sentence of section 223(c)(2) of such Act (as amended by section 303 of this Act) is further amended by adding after subparagraph (A) the following new subparagraph:

"(B) in the case of an individual who has attained the age of 55 and is blind (within the meaning of 'blindness' as defined in section 216(i)(1)), inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time."

42 USC 401-  
425.

(e) The amendments made by this section shall apply only with respect to monthly benefits under title II of the Social Security Act for months after the first month following the month in which this Act is enacted, on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

## TITLE IV—PUBLIC ASSISTANCE AMENDMENTS

INCREASED FEDERAL PAYMENTS UNDER PUBLIC ASSISTANCE TITLES OF  
THE SOCIAL SECURITY ACT

SEC. 401. (a) Section 3(a) (1) of the Social Security Act is amended 76 Stat. 193.  
(1) by striking out, in so much thereof as precedes clause (A), "during 42 USC 303.  
such quarter" and inserting in lieu thereof "during each month of such  
quarter"; (2) by striking out, in clause (A), "29/35", "any month",  
and "\$35" and inserting in lieu thereof "31/37", "such month", and  
"\$37", respectively; and (3) by striking out clauses (B) and (C) and  
inserting in lieu thereof the following:

"(B) the larger of the following:

"(i) (I) the Federal percentage (as defined in section 72 Stat. 1050.  
1101(a)(8)) of the amount by which such expenditures 42 USC 1301.  
exceed the amount which may be counted under clause (A),  
not counting so much of such excess with respect to such  
month as exceeds the product of \$38 multiplied by the total  
number of recipients of old-age assistance for such month,  
plus (II) 15 per centum of the total expended during such  
month as old-age assistance under the State plan in the  
form of medical or any other type of remedial care, not  
counting so much of such expenditure with respect to such  
month as exceeds the product of \$15 multiplied by the total  
number of recipients of old-age assistance for such month, or

"(ii) (I) the Federal medical percentage (as defined in 74 Stat. 991.  
section 6(c)) of the amount by which such expenditures 42 USC 306.  
exceed the maximum which may be counted under clause (A),  
not counting so much of any expenditures with respect to such  
month as exceeds (a) the product of \$52 multiplied by the  
total number of such recipients of old-age assistance for such  
month, or (b) if smaller, the total expended as old-age assist-  
ance in the form of medical or any other type of remedial care  
with respect to such month plus the product of \$37 multiplied  
by such total number of such recipients, plus (II) the Federal  
percentage of the amount by which the total expended during  
such month as old-age assistance under the State plan exceeds  
the amount which may be counted under clause (A) and the  
preceding provisions of this clause (B) (ii), not counting so  
much of such excess with respect to such month as exceeds  
the product of \$38 multiplied by the total number of such  
recipients of old-age assistance for such month;"

(b) Section 1603(a) (1) of such Act is amended (1) by striking out, 76 Stat. 200.  
in so much thereof as precedes clause (A), "during such quarter" and 42 USC 1383.  
inserting in lieu thereof "during each month of such quarter"; (2) by  
striking out, in clause (A), "29/35", "any month", and "\$35" and  
inserting in lieu thereof "31/37", "such month", and "\$37", respec-  
tively; and (3) by striking out clauses (B) and (C) and inserting in  
lieu thereof the following:

"(B) the larger of the following:

"(i) (I) the Federal percentage (as defined in section  
1101(a)(8)) of the amount by which such expenditures  
exceed the amount which may be counted under clause (A),  
not counting so much of such excess with respect to such  
month as exceeds the product of \$38 multiplied by the total  
number of recipients of aid to the aged, blind, or disabled  
for such month, plus (II) 15 per centum of the total expended  
during such month as aid to the aged, blind, or disabled under

74 Stat. 991.  
42 USC 306.

the State plan in the form of medical or any other type of remedial care, not counting so much of such expenditure with respect to such month as exceeds the product of \$15 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month, or

“(ii) (I) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditures with respect to such month as exceeds (a) the product of \$52 multiplied by the total number of such recipients of aid to the aged, blind, or disabled for such month, or (b) if smaller, the total expended as aid to the aged, blind, or disabled in the form of medical or any other type of remedial care with respect to such month plus the product of \$37 multiplied by such total number of such recipients, plus (II) the Federal percentage of the amount by which the total expended during such month as aid to the aged, blind, or disabled under the State plan exceeds the amount which may be counted under clause (A) and the preceding provisions of this clause (B) (ii), not counting so much of such excess with respect to such month as exceeds the product of \$38 multiplied by the total number of such recipients of aid to the aged, blind, or disabled for such month;”.

76 Stat. 174.  
42 USC 603.

(c) Section 403(a)(1) of such Act is amended (1) by striking out “fourteen-seventeenths” and “\$17” in clause (A) and inserting in lieu thereof “five-sixths” and “\$18”, respectively; and (2) by striking out “\$30” in clause (B) and inserting in lieu thereof “\$32”.

42 USC 1203.

(d) Section 1003(a)(1) of such Act is amended (1) by striking out, in clause (A), “29/35” and “\$35” and inserting in lieu thereof “31/37” and “\$37”, respectively; and (2) by striking out, in clause (B), “\$70” and inserting in lieu thereof “\$75”.

42 USC 1353.

(e) Section 1403(a)(1) of such Act is amended (1) by striking out, in clause (A), “29/35” and “\$35” and inserting in lieu thereof “31/37” and “\$37”, respectively; and (2) by striking out, in clause (B), “\$70” and inserting in lieu thereof “\$75”.

42 USC 301, 601,  
1201, 1351,  
1381.

(f) The amendments made by this section shall apply in the case of expenditures made after December 31, 1965, under a State plan approved under title I, IV, X, XIV, or XVI of the Social Security Act.

#### PROTECTIVE PAYMENTS

Ante, p. 356.

SEC. 402. (a) Section 6(a) of the Social Security Act (as amended by section 221 of this Act) is amended by adding at the end thereof the following new sentence: “Such term also includes payments which are not included within the meaning of such term under the preceding sentence, but which would be so included except that they are made on behalf of such a needy individual to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such needy individual, but only with respect to a State whose State plan approved under section 2 includes provision for—

42 USC 302.

“(1) determination by the State agency that such needy individual has, by reason of his physical or mental condition, such inability to manage funds that making payments to him would be contrary to his welfare and, therefore, it is necessary to provide such assistance through payments described in this sentence;

"(2) making such payments only in cases in which such payments will, under the rules otherwise applicable under the State plan for determining need and the amount of old-age assistance to be paid (and in conjunction with other income and resources), meet all the need of the individuals with respect to whom such payments are made;

"(3) undertaking and continuing special efforts to protect the welfare of such individual and to improve, to the extent possible, his capacity for self-care and to manage funds;

"(4) periodic review by such State agency of the determination under paragraph (1) to ascertain whether conditions justifying such determination still exist, with provision for termination of such payments if they do not and for seeking judicial appointment of a guardian or other legal representative, as described in section 1111, if and when it appears that such action will best serve the interests of such needy individual; and

"(5) opportunity for a fair hearing before the State agency on the determination referred to in paragraph (1) for any individual with respect to whom it is made."

72 Stat. 1052.  
42 USC 1311.

(b) Section 1605(a) of such Act (as amended by section 221 of this Act) is amended by adding at the end thereof (after and below paragraph (2)) the following new sentence:

Ante, p. 358.

"Such term also includes payments which are not included within the meaning of such term under the preceding sentence, but which would be so included except that they are made on behalf of such a needy individual to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such needy individual, but only with respect to a State whose State plan approved under section 1602 includes provision for—

76 Stat. 198.  
42 USC 1382.

"(A) determination by the State agency that such needy individual has, by reason of his physical or mental condition, such inability to manage funds that making payments to him would be contrary to his welfare and, therefore, it is necessary to provide such aid through payments described in this sentence;

"(B) making such payments only in cases in which such payments will, under the rules otherwise applicable under the State plan for determining need and the amount of aid to the aged, blind, or disabled to be paid (and in conjunction with other income and resources), meet all the need of the individuals with respect to whom such payments are made;

"(C) undertaking and continuing special efforts to protect the welfare of such individual and to improve, to the extent possible, his capacity for self-care and to manage funds;

"(D) periodic review by such State agency of the determination under clause (A) to ascertain whether conditions justifying such determination still exist, with provision for termination of such payments if they do not and for seeking judicial appointment of a guardian or other legal representative, as described in section 1111, if and when it appears that such action will best serve the interests of such needy individual; and

"(E) opportunity for a fair hearing before the State agency on the determination referred to in clause (A) for any individual with respect to whom it is made."

(c) Section 1006 of the Social Security Act (as amended by section 221 of this Act) is amended by adding at the end thereof the following new sentence: "Such term also includes payments which are not in-

Ante, p. 358.

49 Stat. 645.  
42 USC 1202.

cluded within the meaning of such term under the preceding sentence, but which would be so included except that they are made on behalf of such a needy individual to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such needy individual, but only with respect to a State whose State plan approved under section 1002 includes provision for—

“(1) determination by the State agency that such needy individual has, by reason of his physical or mental condition, such inability to manage funds that making payments to him would be contrary to his welfare and, therefore, it is necessary to provide such aid through payments described in this sentence;

“(2) making such payments only in cases in which such payments will, under the rules otherwise applicable under the State plan for determining need and the amount of aid to the blind to be paid (and in conjunction with other income and resources), meet all the need of the individuals with respect to whom such payments are made;

“(3) undertaking and continuing special efforts to protect the welfare of such individual and to improve, to the extent possible, his capacity for self-care and to manage funds;

“(4) periodic review by such State agency of the determination under paragraph (1) to ascertain whether conditions justifying such determination still exist, with provision for termination of such payments if they do not and for seeking judicial appointment of a guardian or other legal representative, as described in section 1111, if and when it appears that such action will best serve the interests of such needy individual; and

72 Stat. 1052.  
42 USC 1311.

“(5) opportunity for a fair hearing before the State agency on the determination referred to in paragraph (1) for any individual with respect to whom it is made.”

Ante, p. 358.

(d) Section 1405 of the Social Security Act (as amended by section 221 of this Act) is amended by adding at the end thereof the following new sentence: “Such term also includes payments which are not included within the meaning of such term under the preceding sentence, but which would be so included except that they are made on behalf of such a needy individual to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such needy individual, but only with respect to a State whose State plan approved under section 1402 includes provision for—

68A Stat. 353.  
26 USC 1402.

“(1) determination by the State agency that such needy individual has, by reason of his physical or mental condition, such inability to manage funds that making payments to him would be contrary to his welfare and, therefore, it is necessary to provide such aid through payments described in this sentence;

“(2) making such payments only in cases in which such payments will, under the rules otherwise applicable under the State plan for determining need and the amount of aid to the permanently and totally disabled to be paid (and in conjunction with other income and resources), meet all the need of the individuals with respect to whom such payments are made;

“(3) undertaking and continuing special efforts to protect the welfare of such individual and to improve, to the extent possible, his capacity for self-care and to manage funds;

“(4) periodic review by such State agency of the determination under paragraph (1) to ascertain whether conditions justifying

such determination still exist, with provision for termination of such payments if they do not and for seeking judicial appointment of a guardian or other legal representative, as described in section 1111, if and when it appears that such action will best serve the interests of such needy individual; and

72 Stat. 1052.  
42 USC 1311.

“(5) opportunity for a fair hearing before the State agency on the determination referred to in paragraph (1) for any individual with respect to whom it is made.”

(e) The amendments made by this section shall apply in the case of expenditures made after December 31, 1965, under a State plan approved under title I, X, XIV, or XVI of the Social Security Act.

42 USC 301, 1201,  
1351, 1381.

DISREGARDING CERTAIN EARNINGS IN DETERMINING NEED UNDER ASSISTANCE PROGRAMS FOR THE AGED, BLIND, AND DISABLED

SEC. 403. (a) Effective October 1, 1965, section 2(a)(10)(A) of the Social Security Act is amended by striking out “; except that, in making such determination, of the first \$50 per month of earned income the State agency may disregard, after December 31, 1962, not more than the first \$10 thereof plus one-half of the remainder” and inserting in lieu thereof the following: “; except that, in making such determination, (i) the State agency may disregard not more than \$5 per month of any income and (ii) of the first \$80 per month of additional income which is earned the State agency may disregard not more than the first \$20 thereof plus one-half of the remainder”.

74 Stat. 988.  
42 USC 302.

(b) Effective October 1, 1965, section 402(a)(7) of the Social Security Act (as amended by section 410 of this Act) is further amended by inserting before the semicolon at the end thereof the following: “, and (C) the State agency may, before disregarding the amounts referred to in clauses (A) and (B), disregard not more than \$5 of any income”.

Post, p. 423.

(c) Effective October 1, 1965, section 1002(a)(8) of the Social Security Act is amended by inserting before the semicolon at the end thereof the following: “, and (C) may, before disregarding the amounts referred to in clauses (A) and (B), disregard not more than \$5 of any income”.

78 Stat. 1078.  
42 USC 1202.

(d) Effective October 1, 1965, section 1402(a)(8) of such Act is amended by inserting after the semicolon at the end thereof the following: “except that, in making such determination, (A) the State agency may disregard not more than \$5 of any income, (B) of the first \$80 per month of additional income which is earned the State agency may disregard not more than the first \$20 thereof plus one-half of the remainder, and (C) the State agency may, for a period not in excess of 36 months, disregard such additional amounts of other income and resources, in the case of an individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of such plan, but only with respect to the part or parts of such period during substantially all of which he is actually undergoing vocational rehabilitation;”.

71 Stat. 523.  
26 USC 1402.

(e) Effective October 1, 1965, section 1602(a)(14) of such Act is amended to read as follows:

42 USC 1382.

“(14) provide that the State agency shall, in determining need for aid to the aged, blind, or disabled, take into consideration any other income and resources of an individual claiming such aid, as well as any expenses reasonably attributable to the earning of any such income; except that, in making such determination with respect to any individual—

“(A) if such individual is blind, the State agency (i) shall disregard the first \$85 per month of earned income plus one-half of earned income in excess of \$85 per month, and (ii) shall, for a period not in excess of 12 months, and may, for a period not in excess of 36 months, disregard such additional amounts of other income and resources, in the case of any such individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of such plan,

“(B) if such individual is not blind but is permanently and totally disabled, (i) of the first \$80 per month of earned income, the State agency may disregard not more than the first \$20 thereof plus one-half of the remainder, and (ii) the State agency may, for a period not in excess of 36 months, disregard such additional amounts of other income and resources, in the case of any such individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of such plan, but only with respect to the part or parts of such period during substantially all of which he is actually undergoing vocational rehabilitation,

“(C) if such individual has attained age 65 and is neither blind nor permanently and totally disabled, of the first \$80 per month of earned income the State agency may disregard not more than the first \$20 thereof plus one-half of the remainder, and

“(D) the State agency may, before disregarding the amounts referred to above in this paragraph (14), disregard not more than \$5 of any income; and”.

ADMINISTRATIVE AND JUDICIAL REVIEW OF PUBLIC ASSISTANCE  
DETERMINATIONS

42 USC 1301.

SEC. 404. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

“ADMINISTRATIVE AND JUDICIAL REVIEW OF CERTAIN ADMINISTRATIVE  
DETERMINATIONS

42 USC 301, 601,  
1201, 1351,  
1381.

Ante, p. 343.

“SEC. 1116. (a) (1) Whenever a State plan is submitted to the Secretary by a State for approval under title I, IV, X, XIV, XVI, or XIX, he shall, not later than 90 days after the date the plan is submitted to him, make a determination as to whether it conforms to the requirements for approval under such title. The 90-day period provided herein may be extended by written agreement of the Secretary and the affected State.

“(2) Any State dissatisfied with a determination of the Secretary under paragraph (1) with respect to any plan may, within 60 days after it has been notified of such determination, file a petition with the Secretary for reconsideration of the issue of whether such plan conforms to the requirements for approval under such title. Within 30 days after receipt of such a petition, the Secretary shall notify the State of the time and place at which a hearing will be held for the purpose of reconsidering such issue. Such hearing shall be held not less than 20 days nor more than 60 days after the date notice of such hearing is furnished to such State, unless the Secretary and such

State agree in writing to holding the hearing at another time. The Secretary shall affirm, modify, or reverse his original determination within 60 days of the conclusion of the hearing.

“(3) Any State which is dissatisfied with a final determination made by the Secretary on such a reconsideration or a final determination of the Secretary under section 4, 404, 1004, 1404, 1604, or 1904 may, within 60 days after it has been notified of such determination, file with the United States court of appeals for the circuit in which such State is located a petition for review of such determination. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary. The Secretary thereupon shall file in the court the record of the proceedings on which he based his determination as provided in section 2112 of title 28, United States Code.

42 USC 304, 604,  
1204, 1384.  
Ante, p. 351.

72 Stat. 941.

“(4) The findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the transcript and record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

“(5) The court shall have jurisdiction to affirm the action of the Secretary or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

62 Stat. 928.

“(b) For the purposes of subsection (a), any amendment of a State plan approved under title I, IV, X, XIV, XVI, or XIX may, at the option of the State, be treated as the submission of a new State plan.

42 USC 301,  
601, 1201,  
1351, 1381.  
Ante, p. 343.

“(c) Action pursuant to an initial determination of the Secretary described in subsection (a) shall not be stayed pending reconsideration, but in the event that the Secretary subsequently determines that his initial determination was incorrect he shall certify restitution forthwith in a lump sum of any funds incorrectly withheld or otherwise denied.

“(d) Whenever the Secretary determines that any item or class of items on account of which Federal financial participation is claimed under title I, IV, X, XIV, XVI, or XIX shall be disallowed for such participation, the State shall be entitled to and upon request shall receive a reconsideration of the disallowance.”

(b) The amendment made by subsection (a) shall apply only with respect to determinations made after December 31, 1965.

#### MAINTENANCE OF STATE PUBLIC ASSISTANCE EXPENDITURES

Sec. 405. Title XI of the Social Security Act is amended by adding at the end thereof (after the new section 1116 added by section 404 of this Act) the following new section:

42 USC 1301.  
Ante, p. 419.

#### “MAINTENANCE OF STATE EFFORT

“SEC. 1117. (a) The total of the amounts determined under sections 3, 403, 1003, 1403, 1603, and 1903 for any State for any quarter beginning after December 31, 1965, and ending before July 1, 1969, shall be reduced to the extent that—

42 USC 303,  
603, 1203,  
1353, 1383.  
Ante, p. 349.

“(1) the excess of (A) the total of the amounts determined for the State under sections 3, 403, 1003, 1403, 1603, and 1903 for such quarter over (B) the total of the amounts determined for

79 STAT. 421.

42 USC 303,  
603, 1203,  
1353, 1383.

42 USC 301,  
601, 1201,  
1351, 1381.

Ante, p. 343.

the State under sections 3, 403, 1003, 1403, and 1603 for the same quarter of the fiscal year ending June 30, 1965, is greater than

“(2) the excess of (A) the total of the expenditures for such quarter (for which the determination is being made) under the plans of the State approved under titles I, IV, X, XIV, XVI, and XIX over (B) the total of the expenditures under the State plans of the State approved under titles I, IV, X, XIV, and XVI for the same quarter of the fiscal year ending June 30, 1965;

except that, at the option of the State, any of the following may be substituted (with respect to the quarters of any fiscal year) for the amount determined as provided in paragraph (1)(B)—

“(3) the total of the amounts determined for the State under sections 3, 403, 1003, 1403, and 1603 for the same quarter in the fiscal year ending June 30, 1964; or

“(4) the average of the totals determined for the State under sections 3, 403, 1003, 1403, and 1603 for each quarter in the fiscal year ending June 30, 1964, or June 30, 1965.

If the substitution of the total referred to in paragraph (3) is chosen by the State, there shall be substituted for the amount determined under clause (B) of paragraph (2) the total of the expenditures under the plans of the State approved under titles I, IV, X, XIV, and XVI for the quarter referred to in such paragraph (3). If the substitution of the average for either of the years referred to in paragraph (4) is chosen by the State, there shall be substituted for the amount determined under clause (B) of paragraph (2) the average of the total expenditures under the plans of the State approved under titles I, IV, X, XIV, and XVI for each quarter in the same fiscal year.

“(b) For purposes of this section, expenditures under the plans of any State approved under titles I, IV, X, XIV, XVI, and XIX and the reduction determined with respect thereto under this section, shall be determined on the basis of data furnished by the State in the quarterly reports submitted by the State to the Secretary pursuant to and in accordance with the requirements of the Secretary under title I, IV, X, XIV, XVI, or XIX; and determinations so made shall be conclusive for purposes of this section.

“(c) If a reduction is required under the preceding provisions of this section in the total of the amounts determined for a State under sections 3, 403, 1003, 1403, 1603, and 1903 for any quarter, the Secretary shall determine which of such amounts shall be reduced and the extent thereof in such manner as in his judgment will best carry out the purpose of maintaining State effort under the Federal-State public assistance programs of the State, and with the total of such reductions to be equal to the reduction required under subsections (a) and (b) of this section.”

Ante, p. 349.

DISREGARDING OASDI BENEFIT INCREASE, AND CHILD'S INSURANCE BENEFIT PAYMENTS BEYOND AGE 18, TO THE EXTENT ATTRIBUTABLE TO RETROACTIVE EFFECTIVE DATE

Sec. 406. Notwithstanding the provisions of sections 2(a)(10) and (11)(D), 402(a)(7), 1002(a)(8), 1402(a)(8), and 1602(a)(13) and (14) of the Social Security Act, a State may disregard, in determining need for aid or assistance under a State plan approved under title I, IV, X, XIV, or XVI of such Act, any amount paid to any individual under title II of such Act (or under the Railroad Retirement

74 Stat. 988;  
Post, p. 423.  
78 Stat. 1078;  
71 Stat. 523;  
76 Stat. 199.  
42 USC 401.

Act of 1937 by reason of section 326(a) of this Act), for any one or more months which occur after December 1964 and before the third month following the month in which this Act is enacted, to the extent that such payment is attributable—

(1) to the increase in monthly insurance benefits under the old-age, survivors, and disability insurance system resulting from the enactment of section 301 of this Act, or

(2) to the payment of child's insurance benefits under such system after attainment of age 18, in the case of individuals attending school, resulting from the enactment of section 306 of this Act.

Ante, p. 400.

Ante, p. 361.

Ante, p. 370.

EXTENSION OF GRACE PERIOD FOR DISREGARDING CERTAIN INCOME FOR STATES WHERE LEGISLATURE HAS NOT MET IN REGULAR SESSION

SEC. 407. Notwithstanding the provisions of section 701 of the Economic Opportunity Act of 1964, no funds to which a State is otherwise entitled under title I, IV, X, XIV, XVI, or XIX of the Social Security Act for any period before the first month beginning after the adjournment of a State's first regular legislative session which adjourns after August 20, 1964 (the date of enactment of the Economic Opportunity Act of 1964), shall be withheld by reason of any action taken pursuant to a State statute which prevents such State from complying with the requirements of subsection (a) of such section 701.

78 Stat. 534.  
42 USC 2981.

42 USC 301,  
601, 1201,  
1351, 1381.  
Ante, p. 343.

TECHNICAL AMENDMENTS RELATING TO PUBLIC ASSISTANCE PROGRAMS

SEC. 408. (a) Section 1108 of the Social Security Act is amended—

(1) by striking out "\$9,800,000, of which \$625,000 may be used only for payments certified with respect to section 3(a)(2)(B) or 1603(a)(2)(B)" and inserting in lieu thereof "\$9,800,000";

(2) by striking out "\$330,000, of which \$18,750 may be used only for payments certified with respect to section 3(a)(2)(B) or 1603(a)(2)(B)" and inserting in lieu thereof "\$330,000"; and

(3) by striking out "\$450,000, of which \$25,000 may be used only for payments certified with respect to section 3(a)(2)(B) or 1603(a)(2)(B)" and inserting in lieu thereof "\$450,000".

(b) The amendments made by subsection (a) shall be effective in the case of Puerto Rico, the Virgin Islands, or Guam with respect to fiscal years beginning on or after the date on which its plan under title XIX of the Social Security Act is approved.

(c) (1) Section 1112 of such Act is amended by striking out "for the aged".

(2) The heading of section 1112 of such Act is amended by striking out "FOR THE AGED".

76 Stat. 206.  
42 USC 1308.  
42 USC 303.  
42 USC 1383.

Ante, p. 343.  
74 Stat. 995.  
42 USC 1312.

ELIGIBILITY OF CHILDREN OVER AGE 18 ATTENDING SCHOOL

SEC. 409. Clause (2)(B) of section 406(a) of the Social Security Act is amended by striking out "(as determined in accordance with standards prescribed by the Secretary) a student regularly attending a high school in pursuance of a course of study leading to a high school diploma or its equivalent," and inserting in lieu thereof "(as determined by the State in accordance with standards prescribed by the Secretary) a student regularly attending a school, college, or university,".

78 Stat. 1042.  
42 USC 606.

DISREGARDING CERTAIN EARNINGS IN DETERMINING NEED OF CERTAIN  
DEPENDENT CHILDREN

76 Stat. 188.  
42 USC 602.

SEC. 410. Effective July 1, 1965, so much of clause (7) of section 402(a) of the Social Security Act as follows the first semicolon is amended by inserting after "except that, in making such determination," the following: "(A) the State agency may disregard not more than \$50 per month of earned income of each dependent child under the age of 18 but not in excess of \$150 per month of earned income of such dependent children in the same home, (B)".

FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES

42 USC 1301.  
Ante, p. 420.

SEC. 411. Title XI of the Social Security Act is amended by adding at the end thereof (after section 1117, added by section 405 of this Act), the following new section:

"ALTERNATIVE FEDERAL PAYMENT WITH RESPECT TO PUBLIC ASSISTANCE  
EXPENDITURES

Ante, p. 343.

42 USC 303,  
603, 1203,  
1353, 1383.  
Ante, p. 351.  
42 USC 301,  
601, 1201,  
1351, 1381.

"SEC. 1118. In the case of any State which has in effect a plan approved under title XIX for any calendar quarter, the total of the payments to which such State is entitled for such quarter, and for each succeeding quarter in the same fiscal year (which for purposes of this section means the 4 calendar quarters ending with June 30), under paragraphs (1) and (2) of sections 3(a), 403(a), 1003(a), 1403(a), and 1603(a) shall, at the option of the State, be determined by application of the Federal medical assistance percentage (as defined in section 1905), instead of the percentages provided under each such section, to the expenditures under its State plans approved under titles I, IV, X, XIV, and XVI, which would be included in determining the amounts of the Federal payments to which such State is entitled under such sections, but without regard to any maximum on the dollar amounts per recipient which may be counted under such sections."

Approved July 30, 1965, 5:19 p. m.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 213 (Comm. on Ways and Means) and No. 682 (Comm. of Conference).

SENATE REPORT No. 404, Parts 1 and 2 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 111(1965):

- Apr. 7: Considered in House.
- Apr. 8: Considered and passed House.
- July 6-8: Considered in Senate.
- July 9: Considered and passed Senate, amended.
- July 27: House agreed to conference report;  
Senate considered conference report.
- July 28: Senate agreed to conference report.

Office of the White House Press Secretary

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THE WHITE HOUSE

TEXT OF THE REMARKS OF THE  
PRESIDENT AT THE SIGNING OF  
THE MEDICARE BILL, INDEPENDENCE,  
MISSOURI

The people of the United States love and voted for Harry Truman, not because he gave them hell -- but because he gave them hope.

I know all America shares my joy that he is present now when the hope he offered becomes a reality for millions of our fellow citizens.

I am proud that this has come to pass in my Administration. But it was Harry Truman of Missouri who planted the seeds of compassion and duty which today flower into care for the sick, and serenity for the fearful.

Many men can make proposals. Many can draft laws. But few have the piercing and humane eye which can see beyond the words to the people they touch. Few can see past the speeches and the political battles to the doctor tending the infirm, the hospital receiving those in anguish, or feel in their heart painful wrath at the injustice which denies the miracle of healing to the old and poor. And fewer still have the courage to stake reputation, position, and the effort of a lifetime upon such a cause when there are few that share it.

But it is just such men who illuminate the life and history of a nation. And so, President Truman, it is in tribute not to you, but to America that we have come here today. For a country can be known by the quality of the men it honors. By praising you, by carrying forward your dreams, we reaffirm the greatness of America.

It was a generation ago that you said: "Millions of our citizens do not now have a full measure of opportunity to achieve and enjoy good health. Millions do not now have protection or security against the economic effects of sickness. The time has arrived for action to help them obtain that opportunity and that protection."

Today we take such action.

The need for this action is plain; so clear indeed that we marvel not simply at the passage of this bill, but that it took so many years.

There are more than 18 million Americans over the age of 65. Most of them have low incomes. And most of them are threatened by illness and medical expenses they cannot afford.

Through this new law every citizen will be able, in his productive years, to insure himself against the ravages of illness in old age.

This insurance will help pay for care in hospitals, in skilled nursing homes, or in the home. Under a separate plan it will help meet the fees of doctors.

Now here is how the plan will affect you.

During your working years, you will contribute, through the social security program, a small amount each payday for hospital insurance protection. For example, the average worker in 1966 will contribute about \$1.50 per month. The employer will contribute a similar amount. This will provide the funds to pay up to 90 days of hospital care for each illness, plus diagnostic care, and up to 100 home health visits after you are 65. Beginning in 1967, you will also be covered for up to 100 days of care in a skilled nursing home after a period of hospital care.

Under a separate plan, when you are 65, you may be covered for medical and surgical fees whether you are in or out of the hospital. You will pay \$3 per month after you are 65 and your government will contribute an equal amount.

The benefits under the law are as varied and broad as modern medicine itself. And if it has a few defects -- such as the method of payment of certain specialists, or the exclusion of podiatrists -- those, I am confident, can be quickly remedied.

No longer will older Americans be denied the healing miracle of modern medicine. No longer will illness crush and destroy the savings they have so carefully put away over a lifetime so they might enjoy dignity in their later years. No longer will young families see their own incomes, and their own hopes, eaten away simply because they are carrying out their deep moral obligations.

And no longer will this nation refuse the hand of justice to those who have given a lifetime of service and wisdom and labor to our progress.

And this bill is even broader than that. It will increase social security benefits for our older Americans. And it will improve a wide range of health and medical services for Americans of all ages.

In 1935 when Franklin Roosevelt signed the Social Security Act he said it was "a cornerstone in a structure which is being built but is by no means complete."

Perhaps no single act in this entire administration did more to win him an illustrious place in our history than the laying of that cornerstone. And those who share this day will also be remembered for making the most important addition to that structure in three decades.

History shapes men, but it is a necessary faith of leadership that men can help shape history. There are many who led us to this historic day. Not out of courtesy or deference, but from gratitude and the remembrance which is our country's debt, let us call the roll.

Congressman Celler helped introduce hospital insurance in 1952. Aime Forand introduced it in the House. Senator Anderson fought for medicare in the Senate, and Congressman King carried the battle in the House. The legislative genius of

Congressman Mills and Senator Long transformed desire into victory. And those devoted public servants, Senator Ribicoff, Secretary Celebrezze and Under Secretary Cohen gave not just endless days and patience--but their hearts--to this bill.

Let us also remember those who sadly cannot share this time of triumph. For it is their triumph too. It is the victory of great Members of Congress like John Dingell, Sr., and Robert Wagner, and James Murray.

And there is also John Kennedy, who fought in the Senate, took his case to all the people, never yielded in pursuit, but was not spared to see the final concourse of the forces he helped to loose.

But it all started with the man from Independence, Missouri. And so, as it is fitting we should, we have come to his home to complete what he began.

President Truman, as any President must, made many decisions of great moment; although he made them with a courage and clarity few have shared. The immense and intricate questions of freedom and survival were caught up in the web of judgment. And this is in the tradition of leadership.

But there is another tradition which we share. It calls upon us never to be indifferent toward despair. It commands us never to turn away from helplessness. It directs us never to ignore and spurn those who suffer untended in a land bursting with abundance.

This is not just our tradition--or the tradition of the Democratic Party--or that of this nation. It is as old as the day it was first commanded: "Thou shalt open thine hand wide unto thy brother, to thy poor, and to thy needy, in thy land."

Just think, Mr. President, because of this document--and the long years of struggle which created it--in this town, and a thousand others, there are men and women in pain who will now find ease. There are those, alone in suffering, who will now hear the sound of approaching help. There are those fearing the terrible darkness of despairing poverty--despite long years of labor and expectation--who will now look up to see the light of hope and realization.

There can be no satisfaction, nor any act of leadership, greater than this.

And perhaps you alone, President Truman, can fully know how grateful I am for this day.

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[COMMITTEE PRINT]

COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
EIGHTY-NINTH CONGRESS  
FIRST SESSION

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ACTUARIAL COST ESTIMATES AND SUMMARY OF  
PROVISIONS OF THE OLD-AGE, SURVIVORS, AND DIS-  
ABILITY INSURANCE SYSTEM AS MODIFIED BY  
THE SOCIAL SECURITY AMENDMENTS OF 1965 AND  
ACTUARIAL COST ESTIMATES AND SUMMARY OF  
PROVISIONS OF THE HOSPITAL INSURANCE AND  
SUPPLEMENTARY MEDICAL INSURANCE SYSTEMS  
AS ESTABLISHED BY SUCH ACT

(PUBLIC LAW 89-97, APPROVED JULY 30, 1965)



JULY 30, 1965

Prepared for the use of the Committee on Ways and Means  
by Robert J. Myers, Actuary to the Committee

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## I. ACTUARIAL COST ESTIMATES FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM

### A. INTRODUCTION

This section of the report presents the actuarial cost estimates for the old-age, survivors, and disability insurance provisions of H.R. 6675 (Social Security Amendments of 1965) as passed by the Congress. This bill was passed by the House of Representatives on April 8, and an amended version was passed by the Senate on July 9. The conference committee agreed on the final provisions of the bill on July 21, the House accepted the conference agreement on July 27, and the Senate did so on July 28. The President approved the bill on July 30; and it has been designated Public Law 89-97.

A summary of the benefit, coverage, and financing provisions of the old-age, survivors, and disability insurance system following the 1965 amendments is contained in section IV.

From an actuarial cost standpoint, the main features of the 1965 amendments to the old-age, survivors, and disability insurance system are as follows:

(1) Monthly benefits for all types of beneficiaries are increased by 7 percent on that portion of the benefit that is derived from the first \$400 of average monthly wage, with a \$4 minimum increase in the primary insurance amount.

(2) Child's benefits are payable up to age 22 while attending school (but mother's benefits are not payable solely with respect to such a child). Also, the definition of "child" was broadened.

(3) Actuarially reduced benefits are available for widows (without eligible children) first claiming them at ages 60 and 61.

(4) Benefits are provided under the transitional insured status provisions for certain individuals aged 72 and over who are not fully insured under previous law.

(5) The underlying basis for the family maximum benefit provision is changed so that it is now earnings-related at all earnings levels. The maximum is determined from a weighted formula—80 percent of the first  $x$  of average monthly wage, plus 40 percent of the average monthly wage in excess of  $x$  (where  $x$  is two-thirds of the maximum possible average monthly wage, which is one-twelfth of the maximum annual earnings base).

(6) The definition of disability is liberalized so that an individual is required to be totally disabled only throughout a continuous period of at least 12 months (instead of a requirement of long-continued and indefinite duration or of being expected to result in death).

(7) The earnings (or retirement) test is liberalized so that the annual exempt amount of earnings is increased from \$1,200 to \$1,500 and the "band" for which there is a \$1 reduction in benefits for each

## 2 ACTUARIAL COST ESTIMATES AND PROVISIONS OF SYSTEMS

\$2 in earnings (after earnings have exceeded the annual exempt amount) is increased from \$500 to \$1,200.

(8) Benefit rights are continued with respect to women who are divorced after at least 20 years of marriage (and also certain benefit rights derived from a previous husband are retained while the woman is unmarried).

(9) A widow remarrying after age 60 (or a widower after age 62) does not have the previous widow's benefit terminate, but instead it is reduced to 50 percent of her deceased husband's primary benefit (instead of being based on the 82½-percent rate).

(10) Certain special provisions as to disability benefits are introduced for blind persons (more liberal insured status for those becoming disabled before age 31 and an "occupational disability" basis at age 55).

(11) Undue duplication of workmen's compensation and disability insurance benefits is prevented for new cases by reducing the latter benefits if the aggregate benefits exceed 80 percent of "earnings". Under these circumstances, in general, "earnings" are measured by the highest covered earnings under the OASDI system in a 5-consecutive-year period, with such average earnings adjusted periodically in accordance with changes in the general level of earnings.

(12) The cost of rehabilitation services for certain disabled beneficiaries is paid out of the trust funds, but with a maximum aggregate annual limitation of 1 percent of the disability benefits paid in the previous year. Such rehabilitation services can be paid for only with respect to individuals for whom the savings in future benefits are expected to offset the rehabilitation costs.

(13) Coverage is extended to self-employed doctors and to tips; the latter are covered as wages (with only employee contributions being payable).

(14) The maximum earnings base is increased from \$4,800 to \$6,600 per year for 1966 and thereafter.

(15) The contribution schedule is revised, as will be discussed subsequently.

(16) The allocation to the disability insurance trust fund is increased from 0.50 percent of taxable payroll (with respect to the combined employer-employee rate) to 0.70 percent.

(17) The financing of the additional benefit costs arising from the gratuitous military service wage credits (for service before 1957) is changed from a current-cost basis (with 10-year amortization of costs incurred before 1956) to level payments in the future spread over 50 years.

### B. SUMMARY OF ACTUARIAL COST ESTIMATES

The old-age, survivors, and disability insurance system, as modified by the act, has an estimated cost for benefit payments and administrative expenses that is very closely in balance with contribution income. This also was the case for the 1950 and subsequent amendments at the time they were enacted.

The old-age and survivors insurance portion of the system as modified by the act has been shown to be not quite self-supporting under the intermediate-cost estimate. Nevertheless, there is close to an exact balance, especially considering that a range of variation is necessarily present in the long-range actuarial cost estimates and, further, that rounded tax rates are used in actual practice. Accord-

ingly, the old-age and survivors insurance program, as it is changed by the act, is actuarially sound.

The separate disability insurance trust fund, established under the 1956 act, shows a favorable actuarial balance of 0.03 percent of taxable payroll under the provisions that are in effect after the enactment of the law, because the contribution rate allocated to this fund is slightly more than the cost of the disability benefits, based on the intermediate-cost estimate. Considering the variability of cost estimates for disability benefits, this small actuarial surplus is not significant. The disability insurance program, as it is modified by the act, is actuarially sound.

C. FINANCING POLICY

(1) *Contribution rate schedule for old-age, survivors, and disability insurance in 1965 act*

The contribution schedule for old-age, survivors, and disability insurance contained in the act is lower than that under previous law by 0.55 percent in the combined employer-employee rate in 1966, is lower by 0.45 percent in 1967, is lower by 1.45 percent in 1968, is lower by 0.45 percent in 1969-72, and is higher by 0.45 percent in 1973 and thereafter. The maximum earnings base to which these tax rates in the act are applied is \$6,600 for 1966 and thereafter, as contrasted with \$4,800 under previous law. These tax schedules are as follows:

[Percent]

Calendar year	Combined employer-employee rate		Self-employed rate	
	Previous law	1965 act	Previous law	1965 act
1965.....	7.25	7.25	5.4	5.4
1966.....	8.25	7.70	6.2	5.8
1967.....	8.25	7.80	6.2	5.9
1968.....	9.25	7.80	6.9	5.9
1969-72.....	9.25	8.80	6.9	6.6
1973 and after.....	9.25	9.70	6.9	7.0

The allocation rates to the two trust funds that are applicable to the combined employer-employee contribution rate for the act, as compared with present law, are as follows:

[Percent]

Calendar year	Old-age and survivors insurance		Disability insurance	
	Previous law	1965 act	Previous law	1965 act
1965.....	6.75	6.75	0.50	0.50
1966.....	7.75	7.00	.50	.70
1967.....	7.75	7.10	.50	.70
1968.....	8.75	7.10	.50	.70
1969-72.....	8.75	8.10	.50	.70
1973 and after.....	8.75	9.00	.50	.70

*(2) Self-supporting nature of system*

The Congress has always carefully considered the cost aspects of the old-age, survivors, and disability insurance system when amendments to the program have been made. In connection with the 1950 amendments, the Congress stated the belief that the program should be completely self-supporting from the contributions of covered individuals and employers. Accordingly, in that legislation the provision permitting appropriations to the system from general revenues of the Treasury was repealed. This policy has been continued in subsequent amendments. The Congress has always very strongly believed that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen and actuarially sound.

*(3) Actuarial soundness of system*

The concept of actuarial soundness as it applies to the old-age, survivors, and disability insurance system differs considerably from this concept as it applies to private insurance and private pension plans, although there are certain points of similarity with the latter. In connection with individual insurance, the insurance company or other administering institution must have sufficient funds on hand so that if operations are terminated, it will be in a position to pay off all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system and, moreover, is not always the case for well-administered private pension plans, which may not have funded all the liability for prior service benefits.

It can reasonably be presumed that, under Government auspices, such a social insurance system will continue indefinitely into the future. The test of financial soundness, then, is not a question of whether there are sufficient funds on hand to pay off all accrued liabilities. Rather, the test is whether the expected future income from tax contributions and from interest on invested assets will be sufficient to meet anticipated expenditures for benefits and administrative costs. Thus, the concept of "unfunded accrued liability" does not by any means have the same significance for a social insurance system as it does for a plan established under private insurance principles, and it is quite proper to count both on receiving contributions from new entrants to the system in the future and on paying benefits to this group. These additional assets and liabilities must be considered in order to determine whether the system is in actuarial balance.

Accordingly, it may be said that the old-age, survivors, and disability insurance program is actuarially sound if it is in actuarial balance. This will be the case if the estimated future income from contributions and from interest earnings on the accumulated trust fund investments will, over the long run, support the disbursements for benefits and administrative expenses. Obviously, future experience may be expected to vary from the actuarial cost estimates made now. Nonetheless, the intent that the system be self-supporting (and actuarially sound) can be expressed in law by utilizing a contribution schedule that, according to the intermediate-cost estimate, results in the system being in balance or substantially close thereto.

The Congress believes that it is a matter for concern if the old-age, survivors, and disability insurance system shows any significant actuarial insufficiency. Traditionally, the view has been held that for the old-age and survivors insurance portion of the program, if such actuarial insufficiency has been no greater than 0.25 percent of

payroll when measured over perpetuity, it is at the point where it is within the limits of permissible variation. The corresponding point for the disability insurance portion of the system is about 0.05 percent of payroll (lower because of the relatively smaller financial magnitude of this program). Based on the recommendation of the 1963-64 Advisory Council on Social Security Financing (see app. V of the 25th Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, H. Doc. No. 100, 89th Cong.), the cost estimates are now being made on a 75-year basis, rather than on a perpetuity basis. On this approach, the margin of variation from exact balance should be smaller—no more than 0.10 percent of taxable payroll for the combined old-age, survivors, and disability insurance program.

Furthermore, traditionally when there has been an actuarial insufficiency exceeding the limits indicated, any subsequent liberalizations in benefit provisions were fully financed by appropriate changes in the tax schedule or through raising the earnings base, and at the same time the actuarial status of the program was improved.

The changes provided in the act are in conformity with these financing principles.

#### D. BASIC ASSUMPTIONS FOR COST ESTIMATES

##### (1) *General basis for long-range cost estimates*

Benefit disbursements may be expected to increase continuously for at least the next 50 to 70 years because of such factors as the aging of the population of the country and the slow but steady growth of the benefit roll. Similar factors are inherent in any retirement program, public or private, that has been in operation for a relatively short period. Estimates of the future cost of the old-age, survivors, and disability insurance program are affected by many elements that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable.

The long-range cost estimates (shown for 1975 and thereafter) are presented on a range basis so as to indicate the plausible variation in future costs depending upon the actual trends developing for the various cost factors. Both the low- and high-cost estimates are based on assumptions that are intended to represent close to full employment, with average annual earnings at about the level prevailing in 1963. The use of 1963 average earnings results in conservatism in the estimate since the trend is expected to be an increase in average earnings in future years (as will be discussed subsequently in item 5). In 1963, the aggregate amount of earnings taxable under the program was \$226 billion. Of course, when new workers enter the labor force in years after 1963, with consequent net increase in the labor force, the total taxable earnings increase simply because of multiplying the larger number of covered workers by the 1963 average earnings rates. In addition to the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low- and high-cost estimates (by averaging their components) are shown so as to indicate the basis for the financing provisions.

The cost estimates are extended beyond the year 2000, since the aged population itself cannot mature by then. The reason for this is that the number of births in the 1930's was very low as compared

with subsequent experience. As a result, there will be a dip in the relative proportion of the aged from 1995 to about 2010, which would tend to result in low benefit costs for the old-age, survivors, and disability insurance system during that period. For this reason the year 2000 is by no means a typical ultimate year insofar as costs are concerned.

(2) *Measurement of costs in relation to taxable payroll*

In general, the costs are shown as percentages of covered payroll. This is the best measure of the financial cost of the program. Dollar figures taken alone are misleading. For example, a higher earnings level will increase not only the outgo of the system but also, and to a greater extent, its income. The result is that the cost relative to payroll will decrease. As an illustration of the foregoing points, consider an individual who has covered earnings at a rate of \$300 per month. Under the act, such an individual would have a primary insurance amount of \$112.40. If his earnings rate should increase by 50 percent (to \$450), his primary insurance amount would be \$146. Under these conditions, the contributions payable with respect to his earnings would increase by 50 percent, but his benefit rate would increase by only 30 percent. Or to put it another way, when his earnings rate was \$300 per month, his primary insurance amount represented 37.5 percent of his earnings, whereas when his earnings increased to \$450 per month, his primary insurance amount relative to his earnings decreased to 32.4 percent.

(3) *General basis for short-range cost estimates*

The short-range cost estimates (shown for the individual years 1965-72) are not presented on a range basis since—assuming a continuation of present economic conditions—it is believed that the demographic factors involved (such as mortality, fertility, retirement rates, etc.) can be reasonably closely forecast, so that only a single estimate is necessary. A gradual rise in the earnings level in the future, paralleling that which has occurred in the past few years, is assumed. As a result of this assumption, contribution income is somewhat higher than if level earnings were assumed, while benefit outgo is only slightly affected.

The cost estimates have been prepared on the basis of the same assumptions and methodology as those contained in the 25th Annual Report of the Board of Trustees (H. Doc. No. 100, 89th Cong.).

(4) *Level-cost concept*

An important measure of long-range cost is the level-equivalent contribution rate required to support the system for the next 75 years (including not only meeting the benefit costs and administrative expenses, but also the maintenance of a reasonable contingency fund during the period, which at the end of the period amounts to 1 year's disbursements), based on discounting at interest. If such a level rate were adopted, relatively large accumulations in the old-age and survivors insurance trust fund would result, and in consequence there would be sizable eventual income from interest. Even though such a method of financing is not followed, this concept may be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the heavy deferred benefit costs.

It should be emphasized that in 1950 and in subsequent amendments, the Congress did not recommend that the system be financed by a high-level tax rate in the future, but rather recommended an increasing schedule, which, of necessity, ultimately rises higher than such a level rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will develop, although not as large as would arise under an equivalent level tax rate. This fund will be invested in Government securities (just as is also the case for the trust funds of the civil service retirement, railroad retirement, national service life insurance, and U.S. Government life insurance systems). The resulting interest income will help to bear part of the higher benefit costs of the future.

(5) *Future earning assumptions*

The long-range estimates for the old-age, survivors, and disability insurance program are based on level-earnings assumptions, under which earnings rates of covered workers by age and sex will continue over the next 75 years at the levels experienced in 1963. This, however, does not mean that covered payrolls are assumed to be the same each year; rather, they are assumed to rise steadily as the population at the working ages is estimated to increase. If in the future the earnings level should be considerably above that which now prevails, and if the benefits are adjusted upward so that the annual costs relative to payroll will remain the same as now estimated for the present system, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to payroll rather than in dollars.

The long-range cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits, nevertheless, would not be changed, the cost relative to payroll would, of course, be lower.

It is important to note that the possibility that a rise in earnings levels will produce lower costs of the old-age, survivors, and disability insurance program in relation to payroll is a very important safety factor in the financial operations of this system. The financing of the system is based essentially on the intermediate-cost estimate, along with the assumption of level earnings; if experience follows the high-cost assumptions, additional financing will be necessary. However, if covered earnings increase in the future as in the past, the resulting reduction in the cost of the program (expressed as a percentage of taxable payroll) will more than offset the higher cost arising under experience following the high-cost estimate. If the latter condition prevails, the reduction in the relative cost of the program coming from rising earnings levels can be used to maintain the actuarial soundness of the system, and any remaining savings can be used to adjust benefits upward (to a lesser degree than the increase in the earnings level). The possibility of future increases in earnings levels should be considered only as a safety factor and not as a justification for adjusting benefits upward in anticipation of such increases.

If benefits are adjusted currently to keep pace with rising earnings trends as they occur, the year-by-year costs as a percentage of payroll would be unaffected. If benefits are increased in this manner, the level-cost of the program would be higher than now estimated, since,

under such circumstances, the relative importance of the interest receipts of the trust funds would gradually diminish with the passage of time. If earnings and benefit levels do consistently rise, thorough consideration will need to be given to the financing basis of the system because then the interest receipts of the trust funds will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

*(6) Interrelationship with railroad retirement system*

An important element affecting old-age, survivors, and disability insurance costs arose through amendments made to the Railroad Retirement Act in 1951. These provide for a combination of railroad retirement compensation and old-age, survivors, and disability insurance covered earnings in determining benefits for those with less than 10 years of railroad service (and also for all survivor cases).

Financial interchange provisions are established so that the old-age and survivors insurance trust fund and the disability insurance trust fund are to be placed in the same financial position in which they would have been if railroad employment had always been covered under the program. It is estimated that over the long range the net effect of these provisions will be a relatively small loss to the old-age, survivors, and disability insurance system since the reimbursements from the railroad retirement system will be somewhat smaller than the net additional benefits paid on the basis of railroad earnings.

*(7) Reimbursement for costs of military service wage credits*

Another important element affecting the financing of the program arose through legislation in 1956 that provided for reimbursement from general revenues for past and future expenditures in respect to the noncontributory credits that had been granted for persons in military service before 1957. The cost estimates contained here reflect the effect of these reimbursements (which are included as contributions), based on the assumption that the required appropriations will be made in the future in accordance with the relevant provisions of the act. These reimbursements will be made on the basis of constant annual amounts (although adjusted in accordance with actual experience) over the next 50 years, rather than on the basis of the actual disbursements each year, as under present law.

E. ACTUARIAL BALANCE OF PROGRAM IN PAST YEARS

*(1) Status after enactment of 1952 act*

The actuarial balance under the 1952 act<sup>1</sup> was estimated, at the time of enactment, to be virtually the same as in the estimates made at the time the 1950 act was enacted, as shown in table 1. This was the case, because the estimates for the 1952 act took into consideration the rise in earnings levels in the 3 years preceding the enactment of that act. This factor virtually offset the increased cost due to the benefit liberalizations made. New cost estimates made 2 years after the enactment of the 1952 act indicated that the level-cost (i.e., the average long-range cost, based on discounting at interest, relative to taxable payroll) of the benefit disbursements and administrative expenses was somewhat more than 0.5 percent of payroll higher than the level-equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

<sup>1</sup> The term "1952 act" (and similar terms) is used to designate the system as it existed after the enactment of the amendments of that year.

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TABLE 1.—Actuarial balance of old-age, survivors, and disability insurance program under various acts for various estimates, intermediate-cost basis

[Percent]

Legislation	Date of estimate	Level-equivalent <sup>1</sup>		
		Benefit costs <sup>2</sup>	Contributions	Actuarial balance <sup>3</sup>
Old-age, survivors, and disability insurance <sup>4</sup>				
1935 act.....	1935	5.36	5.36	0.00
1939 act.....	1939	5.22	5.30	+0.08
1939 act (as amended in the 1940's) <sup>5</sup> .....	1950	4.45	3.98	-.47
1950 act.....	1950	6.20	6.10	-.10
1950 act.....	1952	5.49	5.90	+ .41
1952 act.....	1952	6.00	5.90	-.10
1952 act.....	1954	6.62	6.05	-.57
1954 act.....	1954	7.50	7.12	-.38
1954 act.....	1956	7.45	7.29	-.16
1956 act.....	1956	7.85	7.72	-.13
1956 act.....	1958	8.25	7.83	-.42
1958 act.....	1958	8.76	8.52	-.24
1958 act.....	1960	8.73	8.68	-.05
1960 act.....	1960	8.98	8.68	-.30
1961 act.....	1961	9.35	9.05	-.30
1961 act.....	1963	9.33	9.02	-.31
1931 act (perpetuity basis).....	1964	9.36	9.12	-.24
1961 act (75-year basis).....	1964	9.09	9.10	+ .01
1965 act.....	1965	9.49	9.42	-.07
Old-age and survivors insurance				
1956 act.....	1956	7.43	7.23	-0.20
1956 act.....	1958	7.90	7.33	-.57
1958 act.....	1958	8.27	8.02	-.25
1958 act.....	1960	8.38	8.18	-.20
1960 act.....	1960	8.42	8.18	-.24
1961 act.....	1961	8.79	8.55	-.24
1961 act.....	1963	8.69	8.52	-.17
1931 act (perpetuity basis).....	1964	8.72	8.62	-.10
1961 act (75-year basis).....	1964	8.46	8.60	+ .14
1965 act.....	1965	8.82	8.72	-.10
Disability insurance				
1956 act.....	1956	0.42	0.49	+0.07
1956 act.....	1958	.35	.50	+ .15
1958 act.....	1958	.49	.50	+ .01
1958 act.....	1960	.35	.50	+ .15
1960 act.....	1960	.56	.50	-.06
1961 act.....	1961	.56	.50	-.06
1961 act.....	1963	.64	.50	-.14
1961 act (perpetuity basis).....	1964	.64	.50	-.14
1961 act (75-year basis).....	1964	.63	.50	-.13
1965 act.....	1965	.67	.70	+ .03

<sup>1</sup> Expressed as a percentage of effective taxable payroll, including adjustment to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate. Estimates prepared before 1964 are on a perpetuity basis, while those prepared after 1964 are on a 75-year basis. The estimates prepared in 1964 are on both bases (see text).

<sup>2</sup> Including adjustments (a) to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for the interest earnings on the existing trust fund, (c) for administrative expense costs, and (d) for the net cost of the financial interchange provisions with the railroad retirement system.

<sup>3</sup> A negative figure indicates the extent of lack of actuarial balance. A positive figure indicates more than sufficient financing, according to the particular estimate.

<sup>4</sup> The disability insurance program was inaugurated in the 1956 act so that all figures for previous legislation are for the old-age and survivors insurance program only.

<sup>5</sup> The major changes being in the revision of the contribution schedule; as of the beginning of 1950, the ultimate combined employer-employee rate scheduled was only 4 percent.

(2) Status after enactment of 1954 act

Under the 1954 act, the increase in the contribution schedule met all the additional cost of the benefit changes and at the same time reduced substantially the actuarial insufficiency that the then-current estimates had indicated in regard to the financing of the 1952 act.

*(3) Status after enactment of 1956 act*

The estimates for the 1954 act were revised in 1956 to take into account the rise in the earnings level that had occurred since 1951-52, the period that had been used for the earnings assumptions for the estimates made in 1954. Taking this factor into account reduced the lack of actuarial balance under the 1954 act to the point where, for all practical purposes, it was nonexistent. The benefit changes made by the 1956 amendments were fully financed by the increased contribution income provided. Accordingly, the actuarial balance of the system was unaffected.

Following the enactment of the 1956 legislation, new cost estimates were made to take into account the developing experience; also, certain modified assumptions were made as to anticipated future trends. In 1956-57, there were very considerable numbers of retirements from among the groups newly covered by the 1954 and 1956 amendments, so that benefit expenditures ran considerably higher than had previously been estimated. Moreover, the analyzed experience for the recent years of operation indicated that retirement rates had risen or, in other words, that the average retirement age had dropped significantly. This may have been due, in large part, to the liberalizations of the retirement test that had been made in recent years—so that aged persons were better able to effectuate a smoother transition from full employment to full retirement. The cost estimates made in early 1958 indicated that the program was out of actuarial balance by somewhat more than 0.4 percent of payroll.

*(4) Status after enactment of 1958 act*

The 1958 amendments recognized this situation and provided additional financing for the program—both to reduce the lack of actuarial balance and also to finance certain benefit liberalizations made. In fact, one of the stated purposes of the legislation was “to improve the actuarial status of the trust funds.” This was accomplished by introducing an immediate increase (in 1959) in the combined employer-employee contribution rate, amounting to 0.5 percent, and by advancing the subsequently scheduled increases so that they would occur at 3-year intervals (beginning in 1960) instead of at 5-year intervals.

The revised cost estimates made in 1958 for the disability insurance program contained certain modified assumptions that recognized the emerging experience under the new program. As a result, the moderate actuarial surplus originally estimated was increased somewhat, and most of this was used in the 1958 amendments to finance certain benefit liberalizations, such as inclusion of supplementary benefits for certain dependents and modification of the insured status requirements.

*(5) Status after enactment of 1960 act*

At the beginning of 1960, the cost estimates for the old-age, survivors, and disability insurance system were reexamined and were modified in certain respects. The earnings assumption had previously been based on the 1956 level, and this was changed to reflect the 1959 level. Also, data first became available on the detailed operations with respect to persons becoming disabled in 1956, which was the first full year of operation that included cases other than “back-log” cases. It was found that the number of persons who meet the insured status conditions to be eligible for these benefits had been

significantly overestimated. It was also found that the disability incidence experience for eligible women was considerably lower than had been originally estimated, although the experience for men was very close to the intermediate estimate. Accordingly, revised assumptions were made in regard to the disability insurance portion of the program. As a result, the changes made by the 1960 amendments could, according to the revised estimates, be made without modifying the financing provisions.

(6) *Status after enactment of 1961 act*

The changes made by the 1961 amendments involved an increased cost that was fully met by the changes in the financing provisions (namely, an increase in the combined employer-employee contribution rate of one-fourth of 1 percent, a corresponding change in the rate for the self-employed, and an advance in the year when the ultimate rates would be effective—from 1969 to 1968). As a result, the actuarial balance of the program remained unchanged.

Subsequent to 1961, the cost estimates were further reexamined in the light of developing experience. The earnings assumption was changed to reflect the 1963 level, and the interest rate assumption used was modified upward to reflect recent experience. At the same time, the retirement rate assumptions were increased somewhat to reflect the experience in respect to this factor. The further developing disability experience indicated that costs for this portion of the program were significantly higher than previously estimated (because benefits were not being terminated by death or recovery as rapidly as had been originally assumed). Accordingly, the actuarial balance of the disability insurance program was shown to be in an unsatisfactory position, and this was recognized by the Board of Trustees, who recommended that the allocation to this trust fund should be increased (while, at the same time, correspondingly decreasing the allocation to the old-age and survivors insurance trust fund, which was estimated to be in satisfactory actuarial balance, even after such a reallocation).

F. RESULTS OF INTERMEDIATE-COST ESTIMATES

(1) *Purposes of intermediate-cost estimates*

The long-range intermediate-cost estimates are developed from the low- and high-cost estimates by averaging them (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). The intermediate-cost estimate does not represent the most probable estimate, since it is impossible to develop any such figures. Rather, it has been set down as a convenient and readily available single set of figures to use for comparative purposes.

The Congress, in enacting the 1950 act and subsequent legislation, was of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis and actuarially sound. Therefore, a single estimate is necessary in the development of a tax schedule intended to make the system self-supporting. Any specific schedule will necessarily be somewhat different from what will actually be required to obtain exact balance between contributions and benefits. This procedure, however, does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact balance cannot

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be obtained from a specific set of integral or rounded tax rates increasing in orderly intervals, but rather this principle of self-support should be aimed at as closely as possible.

### (2) Interest rate used in cost estimates

The interest rate used for computing the level-costs for the act is  $3\frac{1}{2}$  percent for the intermediate-cost estimate. This is somewhat above the average yield of the investments of the trust funds at the end of 1964 (about 3.13 percent), but is below the rate currently being obtained for new investments (about  $4\frac{1}{8}$  percent).

### (3) Actuarial balance of OASDI system

Table 1 has shown that according to the latest cost estimates made for the 1961 act there was an almost exact actuarial balance for the combined old-age, survivors, and disability insurance system, but that there was a deficit of 0.13 percent of taxable payroll for the disability insurance portion and a favorable balance of 0.14 percent of taxable payroll for the old-age and survivors insurance portion.

Under the act, the benefit changes proposed would be approximately financed by the increases in the contribution rates and the earnings base.

Table 2 traces through the change in the actuarial balance of the system from its situation under the 1961 act, according to the latest estimate, to that under the 1965 act, by type of major changes involved.

TABLE 2.—Changes in actuarial balance of old-age, survivors, and disability insurance system, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, previous law and 1955 act, based on 3.5 percent interest

[Percent]			
Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of previous system .....	+0.14	-0.13	+0.01
Earnings base increase to \$6,600 .....	+ .51	+ .04	+ .55
Revised contribution schedule .....	+ .09	+ .20	+ .29
Extensions of coverage .....	+ .01	(?)	+ .01
7 percent benefit increase <sup>1</sup> .....	- .59	- .05	- .64
Earnings test liberalization .....	- .14	(?)	- .14
Child's benefits to age 22 if in school .....	- .10	- .02	- .12
Reduced widow's benefits at age 60 <sup>2</sup> .....	(?)	(?)	(?)
Disability definition revision <sup>4</sup> .....	(?)	- .01	- .01
Transitional insured status for certain persons aged 72 or over .....	- .01	(?)	- .01
Broader definition of child .....	- .01	(?)	- .01
Total effect of changes .....	- .24	+ .16	- .08
Actuarial balance of 1965 act .....	- .10	+ .03	- .07

<sup>1</sup> Includes also the effect of the minimum increase of \$4 in the primary insurance amount. The 7-percent increase does not apply beyond the first \$400 of average monthly wage; the same benefit factor underlying present law for average monthly wages in excess of \$110 applies for that portion of the average monthly wage above \$400.

<sup>2</sup> Less than 0.005 percent.

<sup>3</sup> Includes also the cost of the provisions for paying benefits to certain divorced women and to widows who had remarried but are no longer married.

<sup>4</sup> Includes also (a) the cost of the provision for permitting the payment of disability benefits after the individual has first become entitled to some other benefit, (b) the cost for the liberalized disability benefit provisions for blind persons, and (c) the savings arising from the offset provision when workmen's compensation benefits are also payable.

<sup>5</sup> Not applicable to this program.

The changes made by the act would reasonably maintain the actuarial position of the old-age, survivors, and disability insurance system. The estimated favorable actuarial balance of 0.01 percent of taxable payroll for the previous system would be slightly changed—to a lack of balance of 0.07 percent, which is less than the established limit within which the system is considered substantially in actuarial balance.

(4) *Level-costs of benefits, by type*

The level-cost of the old-age and survivors insurance benefits (without considering administrative expenses and the effect of interest earnings on the existing trust fund) under the 1961 act, according to the latest intermediate-cost estimate, is 8.51 percent of taxable payroll on the 75-year basis and the corresponding figure for the program as it is modified by the act is 8.86 percent. The corresponding figures for the disability benefits are 0.62 percent for the 1961 act and 0.67 percent for the 1965 act.

Table 3 presents the benefit costs for the old-age, survivors, and disability insurance system as it is after enactment of the act, separately for each of the various types of benefits.

TABLE 3.—*Estimated level-cost of benefit payments, administrative expenses, and interest earnings on existing trust fund under the old-age, survivors, and disability insurance system, after enactment of act, as percentage of taxable payroll,<sup>1</sup> by type of benefit, intermediate-cost estimate at 3.5 percent interest*

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Primary benefits.....	6.27	0.53
Wife's benefits.....	.51	.04
Widow's benefits.....	1.11	(?)
Parent's benefits.....	.01	(?)
Child's benefits.....	.67	.09
Mother's benefits.....	.15	(?)
Lump-sum death payments.....	.11	(?)
Total benefits.....	8.83	.66
Administrative expenses.....	.13	.03
Railroad retirement financial interchange.....	.04	.00
Interest on existing trust fund <sup>3</sup> .....	-.18	-.02
Net total level-cost.....	8.82	.67

<sup>1</sup> Including adjustment to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate.

<sup>2</sup> This type of benefit is not payable under this program.

<sup>3</sup> This item includes reimbursement for additional cost of noncontributory credit for military service and is taken as an offset to the benefit and administrative expense costs.

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The level contribution rate equivalent to the graded schedule in the law may be computed in the same manner as level-costs of benefits. These are shown in table 1, as are also figures for the net actuarial balances for the system as it was at various times.

### *(5) OASI income and outgo in near future*

Under the act, old-age and survivors insurance benefit disbursements for the calendar year 1965 will be increased by about \$1.35 billion, since the effective dates for the benefit changes are January 1965 for the 7-percent benefit increase and child's benefits to age 22 while in school, and the second month after the month of enactment for most of the other changes. There will, of course, be no additional income during 1965, since the contribution rate increases and the change in the earnings base are effective on January 1, 1966.

In calendar year 1965, benefit disbursements under the old-age and survivors insurance system as modified by the act will total about \$17.0 billion. At the same time, contribution income for old-age and survivors insurance in 1965 will amount to about \$16.0 billion under the act, the same as under previous law. Thus, benefit outgo under the act will exceed contribution income by about \$1.0 billion, whereas under previous law, contribution income was estimated to exceed benefit outgo by about \$370 million. The size of the old-age and survivors insurance trust fund under the act will, on the basis of this estimate, decrease by about \$1.2 billion in 1965 (interest receipts are somewhat less than the outgo for administrative expenses and for transfers to the railroad retirement account); under previous law, it was estimated that this trust fund would increase by about \$250 million as between the beginning and the end of 1965. The short-range cost estimates for the act are shown in table 4.

In 1966, the benefit disbursements under the old-age and survivors insurance system as it would be modified by the act will be about \$18.5 billion, or an increase of about \$2.1 billion over previous law. Contribution income for old-age and survivors insurance under the act for 1966 will be \$18.8 billion, or about \$0.4 billion more than under previous law. Accordingly, in 1966, contribution income will exceed benefit outgo by about \$300 million under the act. There will be an excess of contributions over benefit outgo of about \$1.2 billion in both 1967 and 1968 under the act.

Under the system as modified by the act, according to this estimate, the old-age and survivors insurance trust fund will be about \$50 million higher at the end of 1966 than at the beginning of the year. It will then increase by about \$870 million in 1967 and \$1.0 billion in 1968, reaching \$19.9 billion at the end of 1968. In the next 4 years, as a result of the scheduled increase in the contribution rate in 1969, the trust fund will increase by about \$3 to \$4 billion each year.

At the end of 1970, the balance in the trust fund is estimated at \$27.8 billion, which is an amount equal to 1.2 times the estimated benefit payments for the next year.

### *(6) DI income and outgo in near future*

Under the disability insurance system, as it would be affected by the act in calendar year 1965, benefit disbursements will total \$1,600

million (or about \$130 million more than under previous law), and the excess of benefit disbursements over contribution income is about \$410 million. In 1966 and the years immediately following, contribution income will be well in excess of benefit outgo (as a result of the increased allocation to this trust fund, and the increased taxable earnings base, as provided by the act). The short-range cost estimates for the act are shown in table 5.

The disability insurance trust fund is estimated to decrease by about \$470 million in 1965 under the act, as compared with a corresponding decrease of about \$330 million under previous law; the greater decrease results primarily from the retroactive 7-percent benefit increase. The trust fund at the end of 1966 will be about the same size as at the beginning of the year, but after 1966 it will increase in every future year by amounts ranging from about \$150 million per year in the beginning to about \$250 million per year by 1972. The estimated balance in the trust fund at the end of 1970 is \$2.2 billion, which is an amount equal to 1.1 times the estimated benefit payments for the next year.

*(7) Increases in benefit disbursements in 1966, by cause*

The total benefit disbursements of the old-age, survivors, and disability insurance system will be increased by about \$2.32 billion in 1966 as a result of the changes that the act would make. Of this amount, about \$1.47 billion results from the 7-percent benefit increase, \$195 million from the benefit payments to children aged 18-21 who are in full-time school attendance, \$165 million from the benefit payments to widows aged 60-61, \$140 million from the liberalization of the insured-status provisions for certain persons aged 72 and over, \$40 million from the liberalization of the definition of disability, \$295 million from the liberalization of the earnings test (the corresponding figure for this change for subsequent years will be about 25 percent higher), \$10 million for the broader definition of "child," and \$5 million resulting from the liberalized requirements for disability benefits for the blind.

*(8) Long-range operations of OASI trust fund*

Table 4 gives the estimated operation of the old-age and survivors insurance trust fund under the program as it is changed by the act for the long-range future, based on the intermediate-cost estimate. It will, of course, be recognized that the figures for the next two or three decades are the most reliable (under the assumption of level-earnings trends in the future) since the populations concerned—both covered workers and beneficiaries—are already born. As the estimates proceed further into the future, there is, of course, much more uncertainty—if for no reason other than the relative difficulty in predicting future birth trends—but it is desirable and necessary nonetheless to consider these long-range possibilities under a social insurance program that is intended to operate in perpetuity.

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TABLE 4.—Progress of old-age and survivors insurance trust fund under system as modified by 1965 act, intermediate-cost estimate at 3.50 percent interest <sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year <sup>3</sup>
Actual data						
1951.....	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952.....	3,819	2,194	88	-----	365	17,442
1953.....	3,945	3,006	88	-----	414	18,707
1954.....	5,163	3,670	92	-\$21	447	20,576
1955.....	5,713	4,968	119	--7	454	21,663
1956.....	6,172	5,715	132	-5	526	22,519
1957.....	6,825	7,347	<sup>4</sup> 162	-2	556	22,393
1958.....	7,566	8,327	<sup>4</sup> 194	124	552	21,864
1959.....	8,052	9,842	184	282	532	20,141
1960.....	10,866	10,677	203	318	516	20,324
1961.....	11,285	11,862	239	332	548	19,725
1962.....	12,059	13,356	256	361	526	18,337
1963.....	14,541	14,217	281	423	521	18,480
1964.....	15,689	14,914	296	403	569	19,125
Estimated data (short-range estimate)						
1965.....	\$16,014	\$16,986	\$351	\$436	\$570	\$17,936
1966.....	18,848	18,520	377	445	546	17,988
1967.....	20,687	19,512	363	524	580	18,856
1968.....	21,588	20,334	369	474	634	19,881
1969.....	24,958	21,213	377	487	733	23,495
1970.....	26,328	22,101	385	478	900	27,759
1971.....	27,163	23,001	393	455	1,082	32,155
1972.....	28,041	23,908	401	454	1,271	36,704
Estimated data (long-range estimate)						
1975.....	\$28,818	\$24,848	\$390	\$313	\$1,212	\$40,044
1980.....	31,105	28,828	431	130	1,895	59,891
1990.....	35,600	36,629	510	-23	2,689	82,433
2000.....	41,293	40,926	559	-77	3,287	101,233
2025.....	51,238	62,118	769	-107	4,476	132,792

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

<sup>3</sup> Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to \$377 for 1953, \$284 for 1954, \$163 for 1955, \$60 for 1956, and nothing for 1957 and thereafter.

<sup>4</sup> These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

In every year after 1965 for the next 20 years, contribution income under the system as it would be modified by the act is estimated to exceed old-age and survivors insurance benefit disbursements. Even after the benefit-outgo curve rises ahead of the contribution-income curve, the trust fund will nonetheless continue to increase because of the effect of interest earnings (which more than meet the administrative expense disbursements and any financial interchanges with the railroad retirement program). As a result, this trust fund is estimated to grow steadily under the long-range cost estimate (with a level-earnings assumption), reaching \$40 billion in 1975, \$60 billion in 1980, and over \$100 billion at the end of this century. In the very far

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distant future, namely, in about the year 2015, the trust fund is estimated to reach a maximum of about \$160 billion and then decrease.

(9) Long-range operations of DI trust fund

The disability insurance trust fund, under the program as it will be changed by the act, grows slowly but steadily after 1966, according to the intermediate long-range cost estimate, as shown by table 5. In 1975, it is shown as being \$3.8 billion, while in 1990, the corresponding figure is \$9.0 billion. There is estimated to be a small excess of contribution income over benefit disbursements for every year after 1965 for the next 40 years.

TABLE 5.—Progress of disability insurance trust fund under system as modified by 1965 act, intermediate-cost estimate at 3.50-percent interest <sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial inter-change <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year
Actual data						
1957.....	\$702	-\$57	<sup>3</sup> \$3	-----	\$7	\$649
1958.....	966	249	<sup>3</sup> 12	-----	25	1,379
1959.....	891	457	50	-\$22	40	1,825
1960.....	1,010	568	36	-5	53	2,289
1961.....	1,038	887	64	5	66	2,437
1962.....	1,046	1,105	66	11	68	2,368
1963.....	1,099	1,210	68	20	66	2,235
1964.....	1,154	1,309	79	19	64	2,047
Estimated data (short-range estimate)						
1965.....	\$1,187	\$1,600	\$85	\$24	\$51	\$1,576
1966.....	1,821	1,734	102	25	49	1,585
1967.....	2,048	1,827	108	29	52	1,721
1968.....	2,132	1,898	112	21	58	1,880
1969.....	2,207	1,960	115	24	64	2,052
1970.....	2,282	2,013	119	26	70	2,246
1971.....	2,356	2,065	122	29	78	2,464
1972.....	2,433	2,113	125	32	87	2,714
Estimated data (long-range estimate)						
1975.....	\$2,247	\$2,022	\$103	-\$3	\$121	\$3,834
1980.....	2,425	2,211	106	-11	166	5,177
1990.....	2,776	2,472	107	-13	291	8,965
2000.....	3,220	2,907	120	-13	509	15,443
2025.....	3,996	3,970	156	-13	1,113	33,264

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

<sup>3</sup> These figures are artificially low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

G. RESULTS OF COST ESTIMATES ON RANGE BASIS

(1) Long-range operations of trust funds

Table 6 shows the estimated operation of the old-age and survivors insurance trust fund under the program as it would be changed by the act for low- and high-cost estimates, while table 7 gives corresponding figures for the disability insurance trust fund.

Under the low-cost estimate, the old-age and survivors insurance trust fund builds up quite rapidly and in the year 2000 is shown as

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being about \$270 billion; it is then growing at a rate of about \$16 billion a year. Likewise, the disability insurance trust fund grows steadily under the low-cost estimate, reaching about \$9 billion in 1980 and \$35 billion in the year 2000, at which time its annual rate of growth is about \$2 billion. For both trust funds, under these estimates, benefit disbursements do not exceed contribution income in any year after 1965 for the foreseeable future.

TABLE 6.—Estimated progress of old-age and survivors insurance trust fund under system as modified by 1965 act, low- and high-cost estimates

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial inter-change <sup>1</sup>	Interest on fund <sup>2</sup>	Balance in fund at end of year
Low-cost estimate						
1975.....	\$29,426	\$24,371	\$361	\$293	\$1,633	\$50,193
1980.....	32,080	27,996	398	105	2,767	81,283
1990.....	37,965	34,882	469	-52	5,316	151,886
2000.....	45,265	38,365	515	-112	9,525	270,603
High-cost estimate						
1975.....	\$28,209	\$25,326	\$418	\$333	\$906	\$30,989
1980.....	30,129	29,661	464	155	1,212	40,370
1990.....	33,235	38,376	550	7	537	18,064
2000.....	37,320	43,487	603	-42	( <sup>3</sup> )	( <sup>3</sup> )

<sup>1</sup> A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

<sup>2</sup> At interest rates of 3.75 percent for the low-cost estimate and 3.25 percent for the high-cost estimate.

<sup>3</sup> Fund exhausted in 1993.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

TABLE 7.—Estimated progress of disability insurance trust fund under system as modified by 1965 act, low- and high-cost estimates

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial inter-change <sup>1</sup>	Interest on fund <sup>2</sup>	Balance in fund at end of year
Low-cost estimate						
1975.....	\$2,294	\$1,886	\$94	-\$6	\$201	\$5,911
1980.....	2,501	2,050	95	-15	311	8,986
1990.....	2,960	2,283	94	-18	655	18,647
2000.....	3,529	2,723	103	-18	1,252	35,267
High-cost estimate						
1975.....	\$2,200	\$2,157	\$112	\$0	\$55	\$1,824
1980.....	2,250	2,372	117	-7	36	1,217
1990.....	2,592	2,661	120	-8	( <sup>3</sup> )	( <sup>3</sup> )
2000.....	2,911	3,091	137	-8	( <sup>3</sup> )	( <sup>3</sup> )

<sup>1</sup> A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

<sup>2</sup> At interest rates of 3.75 percent for the low-cost estimate and 3.25 percent for the high-cost estimate.

<sup>3</sup> Fund exhausted in 1986.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

On the other hand, under the high-cost estimate the old-age and survivors insurance trust fund builds up to a maximum of about \$40 billion in about 15 years, but decreases thereafter until it is exhausted somewhat before the year 2000. Under this estimate, benefit disbursements from the old-age and survivors insurance trust fund are lower than contribution income during all years after 1968 and before 1981.

As to the disability insurance trust fund, under the high-cost estimate, in the early years of operation the contribution income is slightly in excess of benefit outgo, with the curves crossing in 1977. Accordingly, the disability insurance trust fund, as shown by this estimate, will grow to about \$1.9 billion in the early 1970's and will then slowly decrease until it is exhausted in 1986.

The foregoing results are consistent and reasonable, since the system on an intermediate-cost-estimate basis is intended to be approximately self-supporting, as indicated previously. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice, under the philosophy in the 1950 and subsequent acts, as set forth in the committee reports therefor, the tax schedule would be adjusted in future years so that none of the developments of the trust funds shown in tables 6 and 7 would ever eventuate. Thus, if experience followed the low-cost estimate, and if the benefit provisions were not changed, the contribution rates would probably be adjusted downward—or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled. At any rate, the high-cost estimate does indicate that, under the tax schedule adopted, there will be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience.

(2) *Benefit costs in future years relative to taxable payroll*

Table 8 shows the estimated costs of the old-age and survivors insurance benefits and of the disability insurance benefits under the program, as it is changed by the 1965 act, as a percentage of taxable payroll for various future years, through the year 2040, and also the level-costs of the two programs for the low-, high-, and intermediate-cost estimates (as was previously shown in tables 1 and 3 for the intermediate-cost estimate).

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TABLE 8.—*Estimated cost of benefits of old-age, survivors, and disability insurance system as percent of taxable payroll,<sup>1</sup> under system as modified by 1965 act*

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate <sup>2</sup>
Old-age and survivors insurance benefits			
1975.....	7.47	8.10	7.78
1980.....	7.87	8.88	8.36
1990.....	8.28	10.42	9.28
2000.....	7.64	10.51	8.94
2025.....	8.77	13.97	10.91
2040.....	9.95	15.01	11.95
Level-cost <sup>3</sup> .....	7.74	10.23	8.82
Disability insurance benefits			
1975.....	0.58	0.69	0.63
1980.....	.57	.71	.64
1990.....	.54	.72	.62
2000.....	.54	.74	.63
2025.....	.61	.81	.70
2040.....	.65	.86	.73
Level-cost <sup>3</sup> .....	.60	.78	.67

<sup>1</sup> Taking into account the lower contribution rate for the self-employed, as compared with the combined employer-employee rate.

<sup>2</sup> Based on the averages of the dollar contributions and dollar costs under the low-cost and high-cost estimates.

<sup>3</sup> Level contribution rate, at an interest rate of 3.25 percent for high-cost, 3.50 percent for intermediate-cost, and 3.75 percent for low-cost, for benefits after 1964, taking into account interest on the trust fund on Dec. 31, 1964, future administrative expenses, the railroad retirement financial interchange provisions, the reimbursement of military-wage-credits cost, and the lower contribution rates payable by the self-employed.

## II. ACTUARIAL COST ESTIMATES FOR THE HOSPITAL INSURANCE SYSTEM

### A. INTRODUCTION

This section of the report presents the actuarial cost estimates for the hospital insurance system established by the Social Security Amendments of 1965 (in part A of that portion thereof designated as the Health Insurance for the Aged Act). A summary of the benefit, coverage, and financing provisions of this system is contained in section V.

### B. SUMMARY OF ACTUARIAL COST ESTIMATES

The hospital insurance system established by the act has an estimated cost for benefit payments and administrative expenses that is in long-range balance with contribution income. It is recognized that the preparation of cost estimates for hospitalization and related benefits is much more difficult and is much more subject to variation than cost estimates for the cash benefits of the old-age, survivors, and disability insurance system. This is so not only because the hospital insurance program would be newly established, with no past operating experience, but also because of the greater number of variable factors involved in a service benefit program than in a cash benefit one. However, the cost estimates are made under very conservative assumptions with respect to all foreseeable factors.

It is essential, as stated in the committee report, that developing operations of this new program should be carefully studied as they occur in the immediate future, so that the Congress and the executive branch can be kept as well informed as possible and as quickly as is feasible. Under these circumstances, the committee agreed with the suggestion which has been made that there should be a small continuing actuarial sample (of perhaps 0.1 percent of all eligible individuals), whose experience can be followed as promptly and as thoroughly as if the system related to only about 20,000 persons (under which circumstances, it would be possible to make many complete studies of the experience as rapidly as it develops, without the disadvantages from a time standpoint of handling the vast amount of data that arises for the millions of persons protected by the full program). In this connection, it will be essential for carriers involved in the processing and payment of claims to supply the necessary actuarial information promptly and in adequate fashion for the actuarial analyses to be made.

## C. FINANCING POLICY

*(1) Financing basis of bill*

The contribution schedule contained in the act for the hospital insurance program, on a maximum earnings base of \$6,600, is as follows:

Calendar year	Employer-employee rate (percent)	Self-employed rate (percent)
1966.....	0.7	0.35
1967-72.....	1.0	.50
1973-75.....	1.1	.55
1976-79.....	1.2	.60
1980-86.....	1.4	.70
1987 and after.....	1.6	.80

The hospital insurance program will be completely separate from the old-age, survivors, and disability insurance system in several ways, although the earnings base will be the same under both programs. *First*, the schedules of tax rates for old-age, survivors, and disability insurance and for hospital insurance are in separate subsections of the Internal Revenue Code (unlike the situation for old-age and survivors insurance as compared with disability insurance, where there is a single tax rate for both programs, but an allocation thereof into two portions). *Second*, the hospital insurance program has a separate trust fund (as is also the case for old-age and survivors insurance and for disability insurance) and, in addition, has a separate Board of Trustees from that of the old-age, survivors, and disability insurance system. *Third*, the act provides that income tax withholding statements (forms W-2) shall show the proportion of the total contribution for old-age, survivors, and disability insurance and for hospital insurance that is with respect to the latter. *Fourth*, when the railroad retirement system has a different maximum earnings base than the hospital insurance program, this program will cover railroad employees directly in the same manner as other covered workers, and their contributions will go directly into the hospital insurance trust fund and their benefit payments will be paid directly from this trust fund (rather than directly or indirectly through the railroad retirement system), whereas these employees are not covered by old-age, survivors, and disability insurance (except indirectly through the financial interchange provisions). When the two bases are the same, the hospital insurance taxes will be collected along with the railroad retirement taxes and will be transferred to the hospital insurance trust fund through the financial interchange provisions. Under either case, the hospital and related benefits with respect to railroad workers will be paid from the hospital insurance trust fund. *Fifth*, the financing basis for the hospital insurance system is determined under a different approach than that used for the old-age, survivors, and disability insurance system, reflecting the different natures of the two programs (by assuming rising earnings levels and rising hospitalization costs in future years instead of level-earnings assumptions and by making the estimates for a 25-year period rather

than a 75-year one). *Sixth*, the self-employed contribute for hospital insurance at the same rate as do employees, whereas under old-age, survivors, and disability insurance the self-employed contribute at about 1½ times the employee rate until 1973 (and thereafter at slightly less).

(2) *Self-supporting nature of system*

Just as has always been the case in connection with the old-age, survivors, and disability insurance system, the Congress has very carefully considered the cost aspects of the proposed hospital insurance system. In the same manner, the Congress believes that this program should be completely self-supporting from the contributions of covered individuals and employers (the transitional uninsured group that is covered by this program would have its benefit payments, and the resulting administrative expenses, completely financed from general revenues, according to the provisions of the act). Accordingly, the Congress very strongly believes that the tax schedule in the law should make the hospital insurance system self-supporting over the long range as nearly as can be foreseen, as well as actuarially sound.

(3) *Actuarial soundness of system*

The concept of actuarial soundness as it applies to the hospital insurance system is somewhat similar to that concept as it applies to the old-age, survivors, and disability insurance system (see discussion of this topic in a preceding section), but there are important differences.

One major difference in this concept as it is applicable to the two different systems is that cost estimates for the hospital insurance program should desirably be made over a period of only 25 years in the future rather than 75 years as in connection with the old-age, survivors, and disability insurance program. A shorter period for the hospital insurance program is necessary because of the greater difficulty in making forecast assumptions for a service benefit than for a cash benefit. Although there is reasonable likelihood that the number of beneficiaries aged 65 and over will tend to increase over the next 75 years when measured relative to covered population (so that a period of this length is both necessary and desirable for studying the cost of the cash benefits under the old-age, survivors, and disability insurance program), it is far more difficult to make reasonable assumptions as to the trends of medical care costs and practices for more than 25 years in the future.

In starting a new program such as hospital insurance, it seems desirable to the Congress that the program should be completely in actuarial balance. In order to accomplish this result, a contribution schedule has been developed that will meet this requirement, according to the underlying cost estimates.

#### D. HOSPITALIZATION DATA AND ASSUMPTIONS

(1) *Past increases in hospital costs and in earnings*

Table 9 presents a summary comparison of the annual increases in hospital costs and the corresponding increases in wages that have occurred since 1954 and up through 1963.

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TABLE 9.—Comparison of annual increases in hospitalization costs and in earnings

[In percent]

Calendar year	Increase over previous year	
	Average wages in covered employment	Average daily hospitalization costs
1955.....	3.8	6.3
1956.....	5.7	4.5
1957.....	5.5	7.7
1958.....	3.3	8.6
1959.....	3.3	6.8
1960.....	4.3	6.8
1961.....	3.1	8.5
1962.....	4.2	5.3
1963.....	2.4	5.6
Average <sup>1</sup> .....	4.0	6.7

<sup>1</sup> Rate of increase compounded annually that is equivalent to total relative increase from 1954 to 1963.

The annual increases in earnings are based on those in covered employment under the old-age, survivors, and disability insurance system as indicated by first quarter taxable wages, which by and large are not affected by the maximum taxable earnings base. The data on increases in hospitalization costs are based on a series of average daily costs (including not only room and board, but also other charges), prepared by the American Hospital Association.

The annual increases in earnings have fluctuated somewhat over the 10-year period, although there have not been very large deviations from the average annual rate of 4.0 percent; no upward or downward trend over the period is discernible. The annual increases in hospital costs likewise have fluctuated from year to year around the average annual rate of 6.7 percent; the increases in the last 2 years were relatively low as compared with previous years.

Hospital costs then have been increasing at a faster rate than earnings. The differential between these two rates of increase has fluctuated widely, being as high as somewhat more than 5 percent in some years and as low as a negative differential of about 1 percent in 1956 (with the next lowest differential being a positive one of about 1 percent in 1962). Over the entire 10-year period, the differential between the average annual rate of increase in hospital costs over the average annual rate of increase in earnings was 2.7 percent.

The committee was advised by the Department of Health, Education, and Welfare that, in the future, earnings are estimated to increase at a rate of about 3 percent per year. It is much more difficult to predict what the corresponding increase in hospital costs will be. It would appear that, at the least, hospital costs would increase about 2 percent per year more than earnings for a few years and that at the most, the differential rate would be 3 percent per year. It is recognized, of course, that these "minimum" and "maximum" assumptions result in a relatively wide spread in the cost estimates for hospital insurance proposals if the estimates are carried out for a number of years into the future.

(2) *Assumptions underlying original cost estimates for the administration's bill, H.R. 3920 and S. 880, 88th Congress (the King-Anderson bill)*

By way of background to the development of the cost estimates for the hospital insurance system that is established by the 1965 act, there follows a discussion of cost estimates on the administration's proposals in the 88th Congress and in this Congress.

The actuarial cost estimates for H.R. 3920 and S. 880, 88th Congress, made at the time of its introduction in 1963 were presented in detail—as to assumptions, methodology, and results—in Actuarial Study No. 57 of the Social Security Administration.

In considering the hospitalization-benefit costs in conjunction with a level-earnings assumption for the future, it is sufficient for the purposes of long-range cost estimates merely to analyze possible future trends in hospitalization costs relative to covered earnings. Accordingly, any study of past experience of hospitalization costs should be made on this relative basis. The actual experience in recent years has indicated, in general, that hospitalization costs have risen more rapidly than the general earnings level, with the differential being in the neighborhood of 3 percent per year—2.7 percent in the last 10 years.

A major consideration in making cost estimates for hospital benefits, then, is how long and to what extent this tendency of hospital costs to rise more rapidly than the general earnings level will continue in the future, and whether or not it may in the long run be counterbalanced by a trend in the opposite direction. Some factors to consider are the relatively low wages of hospital employees (which have been rapidly "catching up" with the general level of wages and obviously may be expected to "catch up" completely at some future date, rather than to increase indefinitely at a more rapid rate than wages generally) and the development of new medical techniques and procedures, with resultant increased expense.

In connection with this factor, there are possible counterbalancing factors. The higher costs involved for more refined and extensive treatments may be offset by the development of out-of-hospital facilities, shorter durations of hospitalization, and less expense for subsequent curative treatments as a result of preventive measures. Also, it is possible that at some time in the future, the productivity of hospital personnel will increase significantly as the result of changes in the organization of hospital services or for other reasons, so that, as in other fields of economic activity, the general wage level might increase more rapidly than hospitalization prices in the long run.

Perhaps the major consideration in making and in presenting these actuarial cost estimates for hospital benefits is that—unlike the situation in regard to cost estimates for the monthly cash benefits, where the result is the opposite—an unfavorable cost result is shown when total earnings levels rise, unless the provisions of the system are kept up to date (insofar as the maximum taxable earnings base and the dollar amounts of any deductibles are concerned). The reason for this result is that, as indicated in Actuarial Study No. 57, the fundamental assumption was made that hospitalization costs would rise at

the same rate over the long run as the total earnings level; however, contribution income would rise less rapidly than the total earnings level unless the earnings base is kept up to date. Under these conditions, it is necessary that the base be kept up to date with the changes in the general level of earnings, since contributions depend on the covered earnings level, and this level is dampened if the earnings base is not raised as earnings go up. Accordingly, it was necessary in the actuarial cost estimates for hospitalization benefits in Actuarial Study No. 57 to assume either that earnings levels will be unchanged in the future or that, if wages continue to rise (as they have done in the past), the system will be kept up to date insofar as the earnings base and the deductibles are concerned.

The basic assumption underlying the actuarial cost estimates in Actuarial Study No. 57 was that the relationship between earnings and hospital costs would, on the average, be the same into the future as in the 1961 experience. Alternatively and equivalently, these assumptions meant that earnings and hospital costs will rise, on the average, at the same rate in the future and that the earnings base will be adjusted proportionately with changes in the earnings level.

(3) *Alternative assumptions for hospitalization-benefits cost estimates*

One alternative basis for the assumptions that have just been discussed would assume the continuation into the long-range future of recent trends in the relationship between hospitalization costs and the general wage level, while at the same time assuming that there would be no change in the maximum earnings base under the system.

In the recent past, the general earnings level has increased at a rate of about 4 percent a year, while hospital costs have risen about 7 percent a year, so that there is a differential of about 3 percent. Assuming the continuation of these trends into the *indefinite future* and assuming, at the same time, no change in the maximum earnings base would have the following effects:

(1) Eventually hospitalization costs would exceed 100 percent of the earnings of all workers in the country—let alone, of taxable earnings.

(2) Virtually everyone entitled to cash benefits under the system would have the maximum benefit prescribed under the law, since they would have their benefits figured on the maximum creditable earnings. The earnings of the lowest paid part-time workers would eventually rise to the present maximum earnings base.

(3) The cash benefits of the system would be only a very small proportion of a person's previous earnings.

(4) As a percentage of taxable payroll, the cost of the cash-benefits portion of the system would be considerably lower than it is presently estimated to be—to the extent of about 1¼ percent of taxable payroll.

Such an assumption was not used in the cost estimates because it is considered to be completely unrealistic—and could be considered an "impossible" one. It is inconceivable that hospital prices would rise indefinitely at a rate faster than earnings because eventually individuals—even currently employed workers, let alone older persons—could not afford to go to a hospital under such cost circumstances.

As a numerical example, consider a full-time male worker now earn-

ing the "typical" amount of \$20 per day, or \$5,200 per year. The average daily cost for hospitalization (including not only room and board, but also other charges) for persons of all ages is about \$40, currently, or twice the average daily wage. If wages increase 4 percent per year, and if hospital costs increase 7 percent per year—indeinitely into the future—then the following situation will occur:

Item	At present	In 20 years	In 50 years
Average daily wage.....	\$20	\$43.82	\$142.13
Average daily hospitalization cost.....	\$40	\$154.79	\$1,178.28
Ratio of hospital cost to average daily wage (percent).....	200	353	829
Proportion of wage covered by \$6,600 base (percent).....	100	58	18

Consideration of the foregoing figures indicates that, whereas the cost of a hospital day now averages about 2 days' wages, then in 50 years, if the assumed trends take place, the cost of a hospital day will be over 8 days' wages. Quite obviously, it is an untenable assumption that there can be a sizable differential between the increase in hospitalization costs and the increase in earnings levels that will continue for a long period into the future.

(4) *Assumptions underlying original cost estimates for the administration's bill, H.R. 1 and S. 1, 89th Congress (the King-Anderson bill)*

The Advisory Council on Social Security Financing, which was appointed in 1963 and completed its work by the end of 1964, considered the subject of hospitalization benefits and made significant recommendations in this field that were quite similar to the corresponding provisions contained in the administration's bill, H.R. 1 and S. 1, 89th Congress, introduced in January 1965. Further details on the recommendations of the Advisory Council and on the cost assumptions that it suggested may be found in its report "The Status of the Social Security Program and Recommendations for Its Improvement" (app. V, 25th Annual Report of the Board of Trustees, H. Doc. No. 100, 89th Cong.).

The Advisory Council stressed that the assumptions used in estimating hospital insurance costs should be conservative (i.e., where judgment issues arise, they should be resolved in a direction that would yield a higher cost estimate). The assumptions suggested by the Advisory Council were that the estimated 1965 hospitalization costs should be assumed to increase in the future in relation to total earnings rates by a net differential of 2.7 percent per year for the first 5 years after 1965, with this differential then being assumed to decrease to zero over the next 5 years; thereafter, earnings are assumed to rise at an annual rate that is 0.5 percent greater than the increase in hospitalization costs.

The cost estimates made for H.R. 1 and S. 1 (as contained in Actuarial Study No. 59 of the Social Security Administration) were on the same basis as to hospitalization-cost assumptions as recommended by the Advisory Council. The long-range cost estimates were developed on the basis that the base figure for average daily hospitalization costs would be 1963 (since the cost estimates for both the cash benefits and the hospitalization benefits are founded on this basic assumption). This, in turn, meant that there was also the coordinate assumption that the earnings base would, in the future,

keep up to date with what \$5,600 (the earnings base provided in that bill for 1966 and after) represented in 1963.

(5) *Assumptions as to relative trends of hospitalization costs and earnings underlying cost estimate for 1965 act*

As indicated previously, the Congress very strongly believes that the financing basis of the new hospital insurance program should be developed on a conservative basis. For the reasons brought out previously, the cost estimates should not be developed on a level-earnings basis, but rather they should assume dynamic conditions as to both earnings levels and hospitalization costs. Accordingly, it seems appropriate to make cost projections for only 25 years in the future and to develop the financing necessary for only this period (but with a resulting trust fund balance at the end of the period equal to about 1 year's disbursements). Although the trend of beneficiaries aged 65 and over relative to the working population will undoubtedly move in an upward direction after 25 years from now, it seems impossible to predict the trend of medical costs and of hospital-utilization and medical-practice trends in the distant future.

Accordingly, for the purposes of the cost estimates in this report, the assumptions as to the relative trend of hospitalization costs as compared with the general earnings level have been modified somewhat as compared with the relatively conservative assumptions recommended by the Advisory Council. The same differential of hospital costs over earnings for the first 10 years is used, but thereafter the assumption is made that these two elements increase at the same rate (rather than having a negative one-half of 1 percent annual differential, as in the Advisory Council recommendations). In other words, the basis of the hospitalization cost trends used in the cost estimates of this report are on a more conservative basis than recommended by the Advisory Council and, in fact, are more conservative than those used by the insurance business for its estimates for proposals of this type.

(6) *Assumptions as to hospital utilization rates underlying cost estimates for 1965 act*

It should be pointed out that the hospital utilization assumptions for the cost estimates prepared by the Social Security Administration and also those in this report have always been founded on the hypothesis that current practices in this field will not change relatively more in the future than past experience has indicated. In other words, no account is taken of the possibility that there will be a drastic change in philosophy as to the best medical practices, so as, for example, to utilize in-hospital care to a much greater extent than is now the case.

The hospital utilization rates used for the cost estimates for the various past proposals (H.R. 3920 and S. 880, 88th Cong.; the Advisory Council plan; and H.R. 1 and S. 1, 89th Cong.) were the same in all instances. In view of the fact that testimony of the insurance business and the Blue Cross stated their belief that higher utilization would develop (actually, by as much as 40 percent higher in the early years of operation), higher utilization rates have been adopted than those used previously by the Social Security Administration. The increase in the early-year utilization rates is about 20 percent. Half of this can be attributed to changing the previous assumption of low-cost utilization rates in the early years to the

assumption of the intermediate-cost rates then; the latter were previously used only after the program would be in operation for a few years and the beneficiaries would have better knowledge of the benefits available. The other half of the increase in the utilization rates can be said to represent a basic adjustment upward for all future years, which can be viewed as a safety factor.

In other words, the current estimates can be considered to be high-cost ones, as compared with the intermediate-cost ones formerly used by the Social Security Administration. Another factor that may be used to justify the higher utilization rates used in these cost estimates is the somewhat greater amount of hospitalization which might result from the availability of the physicians' services benefits for in-hospital cases made available under the supplementary medical insurance program contained in the act.

(7) *Assumptions as to hospital per diem rates underlying cost estimates for 1965 act*

The average daily cost of hospitalization that is used in these cost estimates is computed on the same basis as the corresponding figures in Actuarial Study No. 59 of the Social Security Administration. These per diem costs were in close agreement with what the Blue Cross testimony indicated, although some 13 percent below the estimates of the insurance business. The reason for the latter differential is that the insurance business did not make as large an allowance for a lower average daily cost for persons aged 65 and over and for hospital expenses that are not related to inpatients.

E. RESULTS OF COST ESTIMATES

(1) *Summary of cost estimates for H.R. 1 and S.1, 89th Congress, under various cost assumptions*

Table 10 summarizes the cost estimates that would be made for H.R. 1 and S. 1, 89th Congress (the King-Anderson bill), under various cost assumptions that have been used in the past, and also under those that are used for the 1965 act. This analysis is made, with a single plan as the base point, so as to show the effect of the various assumptions. The variations shown arise from changes in a number of the cost factors—the relative trend of hospitalization costs as compared with earnings; the period over which the cost estimates are made, and whether static or dynamic assumptions are involved; and the hospital utilization rates.

In all the previous cost estimates, it was assumed that the maximum taxable earnings base would be kept up to date, by periodic changes, with changes in the general earnings level, and also that the same would be true of any deductibles. In regard to the latter element, many of the proposals had provisions calling for increases in the deductible amounts as hospital costs increase in the future so that the condition was thus satisfied; this is the case in connection with the hospital and outpatient diagnostic deductibles and also the hospital and extended care facility coinsurance in the act.

With regard to the assumption that the earnings base would be kept up to date in the future, the Congress believes that this is not a conservative assumption, since it seems to bind future Congresses into taking action in order to maintain the actuarial soundness of the hospital insurance system. It should be emphasized that the actuarial

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soundness of the cash benefits program under the old-age, survivors, and disability insurance system does not at all depend upon an assumption of the earnings base being adjusted upward when wages rise (but rather, on the contrary, the actuarial status of the system is improved under such circumstances). Accordingly, although the committee believes that, under the likely conditions of rising wages over the next 25 years, the earnings base will be adjusted upward beyond the increase contained in the act (from the previous \$4,800 to \$6,600), the conservative assumption should be made for the purposes of the actuarial cost estimates that no further increases will occur after 1966.

TABLE 10.—*Summary of cost estimates for hospital insurance benefits of H.R. 1 and S. 1, 89th Cong., under various cost assumptions*

Assumptions as to earnings base	Assumptions as to relative trends of hospitalization costs and earnings	Estimated level-cost <sup>1</sup>
COST ESTIMATES PREPARED ON LONG-RANGE LEVEL-EARNINGS ASSUMPTIONS		
(1) Keeps up to date with what \$5,600 was in 1963.	Over the long range, hospitalization costs and earnings increase at same rate from 1961 on.	0.67 percent (basis of Actuarial Study No. 57, 1963).
(2) Keeps up to date with what \$5,600 was in 1963.	Past experience projected to 1965; in next 5 years, hospitalization costs rise more rapidly than earnings—by a total differential of 10 percent; thereafter hospitalization costs and earnings rise at same rate.	0.81 percent (basis of cost estimates developed for 1964 legislation).
(3) Keeps up to date with what \$5,600 was in 1963.	Past experience projected to 1965; hospitalization costs rise more rapidly than wages by 2.7 percent for 5 years; then this differential is reduced to zero in next 5 years and after 1975 wages rise more rapidly than hospitalization costs by ½ percent per year.	0.84 percent (basis of cost estimates for Advisory Council and in Actuarial Study No. 59, 1965).
(4) Keeps up to date with what \$5,600 was in 1963.	Past experience projected to 1965; hospitalization costs rise more rapidly than wages by 2.7 percent for 5 years; then this differential is reduced to zero in next 5 years; after 1975, hospitalization costs and wages increase at same rate.	0.87 percent.
(5) Keeps up to date with what \$5,600 would be in 1966.	Same as in (4).....	0.90 percent.
COST ESTIMATES PREPARED ON LONG-RANGE RISING-EARNINGS ASSUMPTIONS		
(6) Same as in (5).....	Same as in (4).....	0.96 percent.
(7) Remains at \$5,600 through 1970; brought up to date by increase to \$6,600 in 1971 and increased correspondingly every 5th year thereafter.	Same as in (4).....	0.98 percent.
(8) Remains at \$5,600 through 1970; increases to \$6,600 in 1971 and then remains constant.	Same as in (4).....	1.09 percent. <sup>2</sup>
(9) \$6,600 in 1966 and then remains constant.	Same as in (4).....	1.08 percent. <sup>2</sup>

<sup>1</sup> Except for items (1) and (2), which are on a perpetuity basis, the figures are for the level-cost over a 25-year period, expressed as a percentage of taxable payroll; includes margin so that trust fund balance at end of period equals the disbursements for that year.

<sup>2</sup> All the cost estimates for items (1) to (9) are based on the hospital utilization rates of Actuarial Study No. 59 of the Social Security Administration. The level-cost for item (8) would be increased to 1.21 percent under the hospital utilization rates of the estimates of this report, while for item (9) the corresponding figure would be 1.20 percent.

(2) *Level-costs of hospital and related benefits*

As shown in footnote 2 of table 10, the level-cost of the hospital benefits that would be provided under H.R. 1 and S. 1, 89th Congress is 1.20 percent of taxable payroll, under the assumptions that the earnings base would be the same as in the act and would not change after 1966, and that both hospitalization costs and general earnings will continue to rise during the entire 25-year period considered in the cost estimates. The corresponding level-cost of the hospital and related benefits in the act is 1.23 percent of taxable payroll. The difference arises from several factors. A higher cost arises for the act because the self-employed contribute on a lower rate basis (i.e., at the employee rate, instead of 1½ times the employee rate), because there are more insured persons (due to the transitional insured status provisions for certain persons aged 72 and over), and because of the inclusion of hospital benefits beyond 60 days (with coinsurance). On the other hand, there is a lower cost under the act because of the exclusion of prehospital home health services and because of the higher earnings base, but this only partially offsets the factors mentioned in the previous sentence.

The level-equivalent of the contribution schedule in the act (as described previously) is 1.23 percent of taxable payroll. Accordingly, these estimates indicate that the hospital insurance program is in actuarial balance under the assumptions made (and described previously).

The estimated level-cost of the hospital and related benefits of 1.23 percent consists predominantly of the cost of the hospital benefits. It does not seem feasible to attempt to subdivide the cost for the hospital benefits and the extended care facility benefits between these two categories. In the early years, virtually all of such costs will be for hospital benefits. Perhaps only about \$25 to \$50 million will be expended in 1967 for extended care facility benefits. In later years, it seems quite possible that greater use of posthospital extended care services will be made, thus tending to reduce the use of hospitals. From a cost standpoint, then, it seems desirable to consider hospital benefits and extended care facility benefits in combination, and it is estimated that the level-cost therefor is 1.19 percent of taxable payroll. The level-cost of outpatient hospital diagnostic benefits is estimated at 0.01 percent of taxable payroll, with the cost in the first full year of operations being about \$10 million. Finally, the estimated level-cost of the posthospital home health benefits is 0.03 percent of taxable payroll, a figure that allows for a considerable expansion of these services in the future (with the cost in the first full year of operations being estimated at less than \$10 million).

The actuarial balance of the hospital insurance system may be summarized as follows (in percentages of taxable payroll):

<i>Item</i>	[In percent]	<i>Level-cost</i>
Hospital and extended care facility benefits.....		1.19
Outpatient diagnostic benefits.....		.01
Home health service benefits.....		.03
 Total benefits.....		 1.23
Level-equivalent of contributions.....		1.23
 Actuarial balance of system.....		 .00

As indicated previously, one of the most important basic assumptions in the cost estimates presented here is that the earnings base is assumed to remain unchanged after it increases to \$6,600 in 1966, even though for the period considered (up to 1990) the general earnings level is assumed to rise at a rate of 3 percent annually. If the earnings base does rise in the future to keep up to date with the general earnings level, then the contribution rates required would be lower than those scheduled in the act. In fact, if this were to occur, the steps in the contribution schedule beyond the combined employer-employee rate of 1.1 percent would not be needed. Furthermore, under the foregoing conditions, if the hospital utilization experience followed the intermediate-cost assumptions made previously in Actuarial Study No. 59 of the Social Security Administration (increased by 10 percent for the estimates presented in this report), and if all other conditions (such as the relationship of hospitalization costs and general earnings) developed as they are set forth in the assumptions, then it is possible that the combined employer-employee contribution rate would not have to increase beyond 1.0 percent.

*(3) Number of persons protected on July 1, 1966*

It is estimated that on July 1, 1966, the total population of the United States (including American Samoa, Guam, Puerto Rico, and the Virgin Islands) who are aged 65 and over will be 19.10 million (after allowance for underenumeration in the census counts and in population projections based thereon).

The total number of such persons who are estimated to be eligible for the hospital and related benefits on the basis of insured status under the old-age, survivors, and disability insurance system and the railroad retirement system is 16.90 million, of whom 16.08 million are insured under old-age, survivors, and disability insurance only, 0.56 million are insured under railroad retirement only, and 0.26 million are insured under both systems. Of the remaining 2.20 million, about 1.98 million are estimated to be eligible for the hospital and related benefits under the transitional provision on eligibility of un-insured individuals, as contained in the act. The remaining 220,000 persons are not eligible for hospital and related benefits because they are active or retired Federal employees with comprehensive benefits under the Federal Employees Health Benefits Act of 1959 (nearly 200,000 persons), because they are alien residents who do not meet the residence and other requirements, or because they are subversives.

For the purposes of the actuarial cost estimates, it is assumed that married women aged 65 or over who are not insured on the basis of their own earnings record and whose husbands are aged 62 or over and are insured workers will have eligibility for the hospital insurance benefits on the basis of their husband's earnings records (and thus such benefit costs would be borne by the payroll tax), rather than on the blanketing-in basis (and thus financed from general revenues).

The cost for the 1.98 million persons who would be blanketed in for the hospital and related benefits is met from the general fund of the Treasury (with the financial transactions involved passing through the hospital insurance trust fund). The costs so involved, along with the financial transactions, are not included in the preceding cost analysis or in the following discussions of the progress of the hospital insurance trust fund. A later portion of this section, however, discusses these costs for the blanketed-in group.

(4) *Future operations of hospital insurance trust fund*

Table 11 shows the estimated operation of the hospital insurance trust fund under the act. According to this estimate, the balance in the trust fund would grow steadily in the future, increasing from about \$600 million at the end of 1966 to \$2.8 billion 5 years later. Over the long range, the trust fund would build up steadily, reaching \$10.4 billion in 1990 (representing the outgo for 1.2 years at the level of that time). The balance in the trust fund at the end of each calendar year in the early years of operation would be somewhat larger than shown in table 11 if the appropriations from the general fund of the Treasury are made at the beginning of each fiscal year (as a provision in the bill would permit). If this is done at the beginning of fiscal year 1967 (on July 1, 1966), the balance in the trust fund at the end of calendar year 1966 will be about \$150 million higher.

Table 11 is based on the assumption that the contributions for the hospital and related benefits for railroad workers will be administered directly by the hospital insurance trust fund. However, in years when the maximum earnings base under the Railroad Retirement Tax Act is exactly the same as that under the hospital insurance system, the railroad retirement system will collect these contributions (at the same rate) from railroad workers. At the same time, the financial interchange provisions, which are applicable to the cash benefits, would be operative for the contributions and related administrative expenses of the railroad retirement system in connection with this program (the detailed operation and the function of the financial interchange provision are explained in par. D(6) of the section dealing with the actuarial cost estimates for the old-age, survivors, and disability insurance system). As a result, there would be no net financial effect on the hospital insurance program, whether such transfer of administration of contributions occurs or does not occur. However, in years when such transfer to the railroad retirement system does occur, the hospital insurance trust fund will receive the equivalent of the contributions of the railroad workers with some delay, but with appropriate interest increments.

TABLE 11.—*Estimated progress of hospital insurance trust fund, intermediate-cost estimate at 3.50 percent interest*<sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
1966	\$1,637	\$987	<sup>2</sup> \$50	\$18	<sup>3</sup> \$618
1967	2,756	2,210	66	25	1,123
1968	3,018	2,406	72	46	1,709
1969	3,123	2,623	79	66	2,196
1970	3,229	2,860	86	82	2,561
1971	3,329	3,077	92	91	2,812
1972	3,433	3,303	99	95	2,938
1973	3,891	3,540	106	100	3,283
1974	4,096	3,788	114	108	3,585
1975	4,260	4,047	121	112	3,789
1980	6,113	5,307	159	166	5,790
1985	7,026	6,860	206	259	8,341
1990	9,015	8,797	264	323	10,426

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund, a higher rate is used in the 1st 10 years (4.0 percent for 1966-70, and then a gradually decreasing rate).

<sup>2</sup> Includes administrative expenses incurred in 1965.

<sup>3</sup> Balance as of June 30, 1965 (before payment of benefits begins), is \$715,000,000.

NOTE.—The transactions relating to the noninsured persons who would be covered for the benefits of this program, the cost for whom is borne out of the general funds of the Treasury, are not shown in the above figures.

Also not included in table 11 are the benefit costs of certain services furnished in Canada that are available only to railroad eligibles. These have an estimated cost initially of about \$200,000 per year, financed entirely by the railroad retirement system, and they are not involved in the financial interchange transactions. They would be available only in years when the railroad retirement system is administering the contribution provisions (with the cost therefor being financed by that system).

#### F. COST ESTIMATES FOR HOSPITAL BENEFITS FOR NONINSURED PERSONS

The 1965 act provides hospital and related benefits not only for beneficiaries of the old-age, survivors, and disability insurance system and the railroad retirement system, but also for most persons aged 65 and over in 1966 (and for many of those attaining this age in the next few years) who are not "insured" under either of these two social insurance systems. Such benefit protection would be provided to any person aged 65 and over on July 1, 1966, who is not eligible as an old-age, survivors, and disability insurance or railroad retirement beneficiary and who (a) is not an employee of the Federal Government or a retired Federal employee enrolled for health benefits under the Federal Employees Health Benefits Act of 1959, or the wife or widow of such an individual (and also certain such persons who could have enrolled but did not do so); (b) is not a member of a subversive organization and has not been convicted of subversive activities; and (c) is a citizen or is an alien lawfully admitted for permanent residence who has had at least 5 years of continuous residence.

Persons meeting such conditions who attain age 65 before 1968 also would qualify for the hospital benefits, while those attaining age 65 after 1967 must have some old-age, survivors, and disability insurance or railroad retirement coverage to qualify; namely, three quarters of coverage (which can be acquired at any time after 1936) for each year elapsing after 1965 and before the year of attainment of age 65 (e.g., six quarters of coverage for attainment of age 65 in 1968, nine quarters for 1969, etc.). This transitional provision "washes out" for men attaining age 65 in 1974 and for women attaining age 65 in 1972, since the fully insured status requirement for monthly benefits for such categories is then no greater than the special insured status requirement.

The benefits for the "noninsured" group would be paid from the health insurance trust fund, but with reimbursement therefor from the general fund of the Treasury on a current basis, or even in advance for the fiscal year, at the beginning thereof or at later dates.

The estimated cost to the general fund of the Treasury for the

hospital and related benefits for the noninsured group is as follows for the first 5 calendar years of operation (in millions):

Calendar year:	<i>Cost to General Treasury</i>
1966 (last 6 months).....	\$140
1967.....	278
1968.....	272
1969.....	264
1970.....	256

The cost to the general fund of the Treasury decreases slowly for the closed group involved. Offsetting, in large part, the decline in the number of eligibles blanketed-in is the increasing hospital utilization per capita (as the average age of the group rises) and the increasing hospitalization costs in future years.

### III. ACTUARIAL COST ESTIMATES FOR THE VOLUNTARY SUPPLEMENTARY MEDICAL INSURANCE SYSTEM

#### A. INTRODUCTION

This section of the report presents the actuarial cost estimates for the voluntary supplementary medical insurance system established by the Social Security Amendments of 1965 (in part B of that portion thereof designated as the Health Insurance for the Aged Act). A summary of the benefit, coverage, and financing provisions of this system is contained in section VI.

#### B. SUMMARY OF ACTUARIAL COST ESTIMATES

The supplementary medical insurance system established by the act has an estimated cost for benefit payments incurred and for administrative expenses that will be adequately met in the initial period of operation, July 1, 1966, to December 31, 1967, by the individual premium rates prescribed plus the equal matching contributions from the general fund of the Treasury. In subsequent years, the act provides for appropriate adjustment of the premium rates so as to assure that the program will be adequately financed, along with the establishment of sufficient contingency reserves. Although provision is made for an advance appropriation from general revenues to provide a contingency reserve during the initial period of operations, it is believed that this will not actually have to be drawn upon, but nonetheless it serves as a desirable safeguard to the financing basis of the program.

Just as in the case of the hospital insurance system, it is essential that the operating experience of a vast new program such as this should be subject to prompt, thorough actuarial review and study. Accordingly, the committee approved of the suggestion that has been made for a small random sample of the eligibles to be maintained on a current basis, so as to permit intensive study by the actuary without the delay that would be inherent in attempting to obtain operating experience data for the entire group of persons covered under the system.

#### C. FINANCING POLICY

##### *(1) Self-supporting nature of system*

Coverage under the new supplementary medical insurance program can be voluntarily elected, on an individual basis, by virtually all persons aged 65 and over in the United States (excluding only those aliens who have not been lawfully admitted for permanent residence or who have not had 5 continuous years of residence, if they are also not eligible for hospital insurance benefits). This program is intended to be completely self-supporting from the contributions of covered individuals and from the equal-matching contributions from the general fund of the Treasury. For the initial period of operations, the

premium rate is established at \$3 per month, so that the total income of the system per participant per month will be \$6. Persons who do not elect to come into the system at as early a time as possible will generally have to pay a higher premium rate than \$3. Under the act, the monthly premium rate can be adjusted for years after 1967, so as to reflect the expected experience, including an allowance for a margin for contingencies. All financial operations for this program would be handled through a separate fund, the supplementary medical insurance trust fund.

The act also provides for establishment of an advance appropriation from the general funds of the Treasury that will serve as an initial contingency reserve in an amount equal to \$18 (or 6 months' per capita contributions from the general funds of the Treasury) times the number of individuals who are estimated to be eligible for participation in July 1966 (an estimated 19.08 million persons). This amount, which is approximately \$345 million, would be appropriated, but it would not actually be transferred to the supplementary medical insurance trust fund unless, and until, some of it would be needed. This contingency amount would be available only during the initial period of operations (July 1, 1966, to December 31, 1967), and any amounts actually transferred to the trust fund would be subject to repayment to the general funds of the Treasury (without interest).

(2) *Actuarial soundness of system*

The concept of actuarial soundness for the old-age, survivors, and disability insurance system and for the hospital insurance system is somewhat different than that for the supplementary medical insurance program. In essence, the last system is on a "current cost" financing basis, rather than on a "long-range cost" financing basis. The situations are essentially different because the financial support of the supplementary medical insurance system comes from a premium rate that is subject to change from time to time, in accordance with the experience actually developing and with the experience anticipated in the near future. The actuarial soundness of the supplementary medical insurance program, therefore, depends only upon the "short-term" premium rates being adequate to meet, on an accrual basis, the benefit payments and administrative expenses over the period for which they are established (including the accumulation and maintenance of a contingency fund).

D. RESULTS OF COST ESTIMATES

(1) *Cost assumptions*

Only a relatively small amount of data is available in regard to insurance experience with respect to the physicians' services and other medical services that would be covered by the supplementary medical insurance system. The cost estimates used in determining the premium rate to be charged to individuals, along with the matching Government contribution, have utilized data from the experience under the Federal Employees Health Benefits Act of 1959 for persons aged 65 and over, the experience under the Connecticut 65 program, and various information obtained by the National Health Survey conducted on a periodic basis by the Public Health Service of the Department of Health, Education, and Welfare.

The cost estimates have been made on a conservative basis—as seems essential in a newly established program of this type for persons aged 65 and over, most of whom have not previously had such insurance. It is believed that the \$6 total per capita income of the system (from the premiums of the individuals and the matching Government contributions) will be fully adequate to meet the costs of administration and the benefit payments incurred, as well as to build up a relatively small contingency reserve. It is believed that there will be no need to draw upon the advance appropriation that is provided from general revenues.

Two cost estimates have been presented in regard to the possible per capita costs. Under the low-cost estimate, the benefits and administrative expenses will, on an accrual basis, represent about 80 percent of the contribution income, whereas under the high-cost estimate, the corresponding ratio will be about 100 percent.

In an individual voluntary-election program such as this, it is impossible to predict accurately in advance what proportion of those eligible to participate in the program will actually do so. Accordingly, the cost estimates have been presented on two bases—an assumed 80-percent participation and an assumed 95-percent participation. Both of these estimates assume that virtually all State public assistance agencies will “buy in” for their old-age assistance recipients.

The same per capita costs have been used for the two participation assumptions. It could be argued that with less than complete coverage, such as the 80-percent assumption, there would be anti-selection against the program and that thus a higher per capita cost should be used. Although there may be some validity to this argument, there is the point on the other side of the question that those who do not participate will consist, to a considerable extent, of uninformed persons with low incomes who will not see the need or have the foresight to participate. The per capita cost for this category will not be significantly lower than the average. Furthermore, the experience under group health insurance indicates that 75-percent participation is adequate protection against antiselection.

It is recognized that there could be a very considerable element of antiselection in an individual voluntary program, such as this, if the insured person were required to pay the full cost. However, since under the supplementary medical insurance program, half of the premium is paid from general revenues, the amount paid by the individual is low enough to be very attractive to even the lowest cost groups.

If participation should fall to a very low level, the per capita cost would rise substantially due to antiselection. In this event, the initial contingency fund (a correspondingly larger proportion of the income received) would be available temporarily to meet the higher costs, which would then necessitate an increased premium in the future.

*(2) Short-range operations of supplementary medical insurance trust fund*

Table 12 presents estimates of the operation of the supplementary medical insurance trust fund for the initial period of operations. As indicated previously, four sets of estimates are given, under different assumptions as to low- and high-cost estimates and as to low and high participation. A significant balance in the trust fund develops in 1966, because of the lag involved in making benefit payments, since there are the factors of administrative processing and of the deductible

that must be met first before any benefits are payable. In this respect, it will be noted that the income from premium payments by individuals will go into the trust fund beginning in the early part of July 1966, and the matching Government contributions will go into the trust fund simultaneously.

Under the low-cost estimates, the trust fund is estimated to have a balance of \$270 to \$315 million at the end of 1966, and between \$435 to \$510 million at the end of 1967. On the other hand, under the high-cost estimates, the balance in the trust fund at the end of 1966 is between \$125 and \$145 million, and will be about \$35 million lower at the end of 1967. Not included in the foregoing figures is the amount of approximately \$345 million that is established as a potential contingency reserve, on the basis of an advance appropriation from the general funds of the Treasury.

TABLE 12.—Estimated progress of supplementary medical insurance trust fund  
(In millions)

Calendar year	Contributions		Benefit payments	Adminis- trative ex- penses	Interest on fund	Balance in fund at end of year
	Partic- pants	Govern- ment				
Low-cost estimate, 80-percent participation						
1966 <sup>1</sup> .....	\$275	\$275	\$220	\$65	\$5	\$270
1967.....	560	560	895	75	15	435
Low-cost estimate, 95-percent participation						
1966 <sup>1</sup> .....	\$325	\$325	\$260	\$80	\$5	\$315
1967.....	665	665	1,060	90	15	510
High-cost estimate, 80-percent participation						
1966 <sup>1</sup> .....	\$275	\$275	\$345	\$85	\$5	\$125
1967.....	560	560	1,065	95	5	90
High-cost estimate, 95-percent participation						
1966 <sup>1</sup> .....	\$325	\$325	\$410	\$100	\$5	\$145
1967.....	665	665	1,260	110	5	110

<sup>1</sup> Administrative expenses shown include those incurred in 1965 and 1966.

Note.—Not included above is the advance appropriation from general revenues that is to provide a contingency reserve during 1966-67 (to be used only if needed and to be repayable).

#### IV. SUMMARY OF MAJOR PROVISIONS OF THE OLD-AGE SURVIVORS, AND DISABILITY INSURANCE SYSTEM (FOLLOWING THE 1965 AMENDMENTS)

##### *I. Monthly benefits payable to—*

(a) Retired worker aged 62 or over (with a lifetime reduction in benefit of 6½ percent for each year under age 65 at time of retirement).

(b) Disabled worker under age 65, after a 6-month waiting period (first benefit after completion of 7 full calendar months of disability). Individual must have a disability so severe that he is unable to engage in any substantial gainful activity; the impairment must be a medically determinable physical or mental condition that is expected to continue for at least 12 months or to result in death.

(c) Wife or dependent<sup>1</sup> husband aged 62 or over of a retired or disabled worker (with a lifetime reduction in benefit of 8½ percent for each year under age 65 at time of initial claim). Wife, regardless of age, if eligible child is present. (See item (e).)

(d) Widow aged 60 or over, or dependent<sup>1</sup> widower aged 62 or over, of deceased worker (with a lifetime reduction in widow's benefit of 6½ percent for each year under age 62 at time of initial claim).

(e) Children under age 18 (regardless of age if disabled since before age 18, or attending school at ages 18–21) of a retired, disabled, or deceased worker, and the mother (not remarried) of eligible children (other than a student aged 18–21) of deceased worker (worker's widow or dependent divorced wife), regardless of her age (but if widow is aged 61 or over, she may qualify under item (d) for a larger benefit).

(f) Dependent<sup>1</sup> parents aged 62 or over of deceased worker.

In addition, there is a lump-sum payment upon death of an insured worker (including retired and disabled workers).

No individual can receive more than the amount of the largest monthly benefit for which he is eligible.

##### *II. Insured status*

(a) Based on quarters of coverage, as follows:

(1) One quarter of coverage for each calendar quarter in which individual is paid at least \$50 of covered nonfarm wages, with four quarters for maximum creditable wages in a year. (See item IX.)

(2) One quarter of coverage for each full \$100 of covered farm wages paid in a year, with four quarters for \$400 or more of such wages.

(3) Four quarters of coverage for at least \$400 of creditable self-employment earnings in a year.

(b) "Fully insured" status gives eligibility for all benefits except:

(1) Disability benefits, which also require disability insured status. (See item (d).)

<sup>1</sup> Proof of dependency must, in general, be filed within 2 years of worker's entitlement in case of a dependent husband, and within 2 years of death in case of a dependent widower or parent.

(2) Dependent husband's and dependent widower's benefits, which also require currently insured status. (See item (c).)

(3) Child's benefits based on the earnings record of a married woman living with her husband, which are in general payable only if she has currently insured status.

A fully insured person is one who at or after attainment of age 65 for men or age 62 for women, or at death or disability if earlier, fulfills either of the following requirements:

(1) He has 40 quarters of coverage, or

(2) He has at least six quarters of coverage<sup>2</sup> and has at least one quarter of coverage (acquired at any time) for every year elapsed after 1950 (or year of attainment of age 21, if later) and before the year of attainment of age 65 for men and age 62 for women, or year of death or disability, if earlier. (See item V for effect of disability on elapsed period.)

(c) "Currently insured" status alone provides eligibility only for child's, mother's, and lump-sum survivor benefits; it is necessary along with fully insured status for husband's and widower's benefits. Currently insured status requires 6 quarters of coverage within the 13-quarter period ending with the quarter of death or entitlement to old-age benefits. (See item V for effect of disability on 13-quarter period.)

(d) "Disability insured" status is necessary for disability benefits and for establishment of the "disability freeze." (See item V.) It requires fully insured status and, in addition, 20 quarters of coverage in the 40-quarter period ending with the quarter in which disability began (with a somewhat lower requirement for blind persons becoming disabled before age 31).

### III. Computation of average monthly wage and primary amount

(a) Average monthly wage is computed for the "n" years after 1950 in which credited earnings were the largest (including years after year of attainment of 64 for men or 61 for women); "n" equals the number of years after 1955 (or the year of attainment of age 26, if later) and before the first calendar year occurring after 1960 in which the individual died or attained age 65 for men or age 62 for women. (For men claiming old-age benefits before age 65, "n" is nonetheless determined to year of attainment of age 65.) In no case can "n" be less than two; for old-age benefits, when there is no "disability freeze" involved, "n" will always be at least five. In computing the average monthly wage for disability benefits, the individual is considered to have attained age 65 for men or age 62 for women in the year that he was disabled. (See item V.)

(b) Primary amount is computed from a benefit table that is based approximately on the formula: 62.97 percent of the first \$110 of average wage, plus 22.9 percent of the next \$290, plus 21.4 percent of the next \$150, increased slightly in some cases for average wages under \$85. Minimum primary amount is \$44.

(c) Illustrative primary amounts for various proportions of time in covered employment for male worker aged 21 in 1965 who reaches age

<sup>2</sup> Monthly benefits are payable at age 72 or over to certain workers, wives, and widows aged 60 or over in 1965, on the basis of 3-5 quarters of coverage; the amount is \$35 for workers and widows and \$17.50 for wives.

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65 on January 1, 2009, who does not work thereafter, and who does not have a "disability freeze":

Average wage while working	Number of years in covered employment		
	40	20	10
\$50.....	\$44.00	\$44.00	\$44.00
\$100.....	63.20	44.00	44.00
\$150.....	78.20	50.00	44.00
\$200.....	89.90	66.40	44.00
\$250.....	101.70	73.90	44.00
\$300.....	112.40	80.30	50.00
\$350.....	124.20	86.70	58.00
\$400.....	135.90	92.10	66.40
\$450.....	146.00	98.50	70.70
\$500.....	157.00	103.80	73.90
\$550.....	168.00	110.30	77.10

(d) Alternatively, the "1939 law" method (for workers with at least one quarter of coverage before 1951, exclusive of those who attained age 22 after 1950 and have at least six quarters of coverage after 1950) provides that the average wage be computed in a similar manner, except that 1936 is used as the starting date instead of 1950. For old-age benefits, when there is no "disability freeze" involved, "n" cannot be less than 19. The "original" amount is 40 percent of first \$50 of average wage plus 10 percent of next \$200, all increased by 1 percent for each calendar year before 1951 in which at least \$200 of wages was paid. The "original" amount is then increased by a conversion table to give the primary amount, indicated by the following table for certain illustrative cases:

Original amount:	Primary amount
\$10.....	\$44.00
\$15.....	47.00
\$20.....	54.00
\$25.....	65.30
\$30.....	76.00
\$35.....	84.60
\$40.....	93.10
\$45.....	101.70

(e) "Average current earnings" is average of credited earnings in highest 5 consecutive years or, if higher, the average monthly wage; it is adjusted for changes in the general level of earnings following the worker's disablement.

IV. Amount of benefits

(a) Old-age benefit is equal to primary amount, except for retirement before age 65. (See item I(a).)

(b) Disability benefit is equal to primary amount.

(c) Benefit for wife, dependent husband, or child of retired or disabled worker is 50 percent of primary, except for wife without eligible child or husband claiming benefit before age 65. (See item I(c).)

(d) Benefit for widow or dependent widower is 82½ percent of primary, except when claiming benefit before age 62. (See item I(d).)

(e) Benefit for child of deceased worker and for child's mother is 75 percent of primary.

(f) Benefit for dependent parent is 82½ percent of primary, except that two such dependent parents receive 75 percent each.

(g) Lump-sum death payment is three times primary, with \$255 maximum.

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(h) Maximum family benefit is 80 percent of first \$370 of average wage, plus 40 percent of next \$180 of average wage (approximately), but not less than 1½ times the primary amount.

(i) Minimum amount payable to survivor beneficiary family is \$44, except in the case of a widow claiming benefits before age 62.

(j) Maximum on combined disability benefits (including supplementary benefits) and workmen's compensation benefits is 80 percent of average current earnings. (See item III(e).)

(k) Illustrative monthly benefits (rounded to nearest dollar):

Average monthly wage <sup>1</sup>	Worker alone	Worker with spouse who claims benefit at—		Worker, wife, and 1 child <sup>2</sup>
		Age 62	Age 65	
DISABLED WORKER OR RETIRED WORKER AGED 65 AT TIME OF RETIREMENT				
\$50.....	\$44	\$61	\$66	\$66
\$100.....	63	87	95	95
\$150.....	78	108	117	120
\$200.....	90	124	135	162
\$250.....	102	140	153	203
\$300.....	112	155	169	225
\$350.....	124	171	186	248
\$400.....	136	187	204	272
\$450.....	146	201	219	292
\$500.....	157	216	236	314
\$550.....	168	231	252	336
RETIRED WORKER AGED 62 AT TIME OF RETIREMENT				
\$50.....	\$35	\$52	\$57	\$57
\$100.....	51	74	82	82
\$150.....	63	92	102	104
\$200.....	72	106	117	144
\$250.....	81	120	132	182
\$300.....	90	132	146	205
\$350.....	99	146	162	224
\$400.....	109	160	177	245
\$450.....	117	172	190	263
\$500.....	126	185	204	283
\$550.....	134	197	218	302

<sup>1</sup> Note that when the average wage is based in part on earnings before 1966, it is affected by the lower earnings bases then in effect. Thus, an average wage of \$550 will be difficult to obtain for many years (except for young survivor and disability cases).

<sup>2</sup> Also applies to worker and 2 children, and to worker, dependent husband aged 65, and 1 child.

Average monthly wage <sup>1</sup>	Survivor benefits				
	Widow aged 60	Widow aged 62 <sup>2</sup>	1 child	1 child and mother <sup>3</sup>	Maximum family benefit <sup>4</sup>
\$50.....	\$38	\$44	\$44	\$66	\$66
\$100.....	45	52	47	95	95
\$150.....	56	65	59	117	120
\$200.....	64	74	68	135	162
\$250.....	73	84	76	153	202
\$300.....	81	93	84	169	240
\$350.....	89	103	93	186	281
\$400.....	97	112	102	204	309
\$450.....	105	121	110	219	328
\$500.....	112	130	118	236	348
\$550.....	120	139	126	252	368

<sup>1</sup> Note that when the average wage is based in part on earnings before 1966, it is affected by the lower earnings bases then in effect. Thus, an average wage of \$550 will be difficult to obtain for many years (except for young survivor and disability cases).

<sup>2</sup> Also applies to widower and to parent.

<sup>3</sup> Also applies to 2 children and to 2 parents.

<sup>4</sup> Payable to 3 or more children and mother, to 4 or more children, and to disabled worker, wife, and 2 or more children. Also applies to 2 children and mother, and to 3 children, except for \$350 and \$400 monthly wages (then, benefits are \$280 and \$306, respectively).

*V. Preservation of benefit rights for disabled ("disability freeze")*

Periods of disability of at least 6 months' duration are excluded in determining insured status and average monthly wage, provided the worker is "disability insured" (see item II(d)) and so disabled that he is unable to engage in any substantial gainful activity (see item I(b) for definition of disability). In addition, blindness is considered to be a qualifying disability for the "disability freeze" although not necessarily for monthly benefits; at age 55, blind persons become eligible for monthly benefits on an "occupational disability" basis. Determinations of disability are, in general, made by State agencies in charge of vocational rehabilitation.

*VI. Employment permitted without suspension of benefits (earnings test)*

A beneficiary (other than a disability beneficiary or a disabled child beneficiary aged 18 or over) can earn up to \$1,500 a year in any employment, covered or noncovered, without loss of benefits. For each \$2 of the first \$1,200 of covered or noncovered earnings in excess of \$1,500, \$1 of benefits is withheld, and for each \$1 of such earnings over \$2,700, \$1 of benefits is withheld. In no case, however, are benefits withheld for any month in which the beneficiary's remuneration as an employee is \$125 or less and in which he rendered no substantial services in self-employment. In the case of a retired worker with dependents who are beneficiaries, the reduction for "excess earnings" is applicable to the total family benefit. For beneficiaries aged 72 or over, there is no limitation on earnings.

*VII. Covered employment*

(a) All employment listed in item (b) that takes place in the 50 States, the District of Columbia, American Samoa, Guam, Puerto Rico, or the Virgin Islands, or that is performed outside the United States by American citizens employed by an American employer (or, by election of the employer, by an American citizen employed by a foreign subsidiary of an American employer) is covered employment. Also covered, under certain conditions, is employment on American ships and aircraft outside the United States.

(b) Individuals engaged in the following types of employment are covered for such employment:

(1) Virtually all employees in industry and commerce, other than long-service railroad workers (the railroad service of those who retire or die with less than 10 years of railroad service is counted as covered wages; for those who have 10 or more years of railroad service, survivor benefits are based on the combination of railroad wages and covered earnings although generally payable by railroad retirement system).

(2) Farm and nonfarm self-employed with \$400 or more of net earnings from covered self-employment.

(3) State and local government employees not covered by a retirement system; those under a retirement system (excluding firemen and policemen, except in some designated States) can be covered by a referendum in which a majority of the eligibles vote in favor of coverage (in a few designated States, retirement systems can be divided into two groups, those wishing coverage and those not wishing coverage, with all future entrants covered). In any event, the State must elect such coverage.

(4) American citizens employed in the United States by foreign governments or international organizations—covered as self-employed.

(5) Federal civilian employees not covered by retirement systems established by law of the United States (other than a few specifically excluded small categories).

(6) Nonfarm domestic workers (based on having \$50 in cash wages from one employer in a quarter).

(7) Farmworkers, including farm domestic workers (based on having \$150 or more in cash wages, or 20 or more days of employment remunerated on a time basis, from any one employer in a year).

(8) Ministers and members of religious orders (other than those who have taken a vow of poverty), either employed by nonprofit institutions (in positions which only a minister can fill) or self-employed—covered on individual elective basis as self-employed. Other employees of nonprofit institutions are covered on group elective basis; employer must elect coverage, and then, all employees concurring in coverage and all new employees are covered.

(9) Members of the uniformed services (on basic pay).

(10) Definition of "employee" is broadened from strict common law rule to include following groups as "employees": full-time wholesale salesmen; full-time life insurance salesmen; agent and commission drivers distributing meat, vegetable, or fruit products, bakery products, beverages (other than milk), or laundry or drycleaning services; and industrial homeworkers paid at least \$50 in cash during a quarter and working under specifications supplied by employer.

(11) Tips of \$20 or more per month to employees are covered as wages and are reported through the employer (but only the employee contribution is paid).

#### *VIII. Wage credits for World War II and subsequent military service through 1956*

World War II veterans and those in service thereafter (including those who died in service) are, with certain restrictions, given wage credits of \$160 for each month of active military service in World War II and thereafter through December 1956; for those in service after 1956, credit is given for service after 1950 even if it is used for purposes of other retirement benefits paid by the uniformed services or by the Veterans' Administration, but in all other cases credit is not given if service is used for any other Federal retirement or survivor system (other than compensation or pension payable by the Veterans' Administration); additional cost of benefits arising from such wage credits is reimbursed to system from the general funds of the Treasury.

#### *IX. Maximum annual earnings for benefit and contribution purposes*

An amount of \$6,600 per year for 1966 and after (\$4,800 in 1959-65; \$4,200 in 1955-58; \$3,600 in 1951-54; and \$3,000 in 1937-50).

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X. Tax (or contribution) rates

(a) Tax rates are as follows (see table A in sec. V for combined OASDI and hospital insurance taxes):

Calendar year	Employee	Employer	Employer-employee	Self-employed
1965.....	3.625	3.625	7.25	5.4
1966.....	3.85	3.85	7.7	5.8
1967-68.....	3.90	3.90	7.8	5.9
1969-72.....	4.40	4.40	8.8	6.6
1973 and after.....	4.85	4.85	9.7	7.0

It will be noted that the self-employed rate is approximately 1½ times the employee rate (result rounded to nearest one-tenth of 1 percent), but with a maximum of 7 percent.

(b) Total tax rate subdivided so that 0.7 percent from the employer and employee combined, and 0.525 percent from the self-employed, goes to disability insurance trust fund (for payment of monthly disability benefits, including benefits for dependents) and remainder goes to old-age and survivors insurance trust fund (for payment of all other benefits).

(c) Self-employment-income taxes are, in general, based on net income from trade or business; special optional provisions based on two-thirds of gross income are available for farmers with gross income of \$2,400 or less (for farmers with gross income of over \$2,400 who have a net income of less than \$1,600, optional reporting of \$1,600 is permitted).

(d) No provisions for authorizing appropriations from general revenues to assist in financing the program.

## V. SUMMARY OF MAJOR PROVISIONS OF THE HOSPITAL INSURANCE SYSTEM

### *I. Coverage provisions (for contribution purposes)*

(a) All workers covered by OASDI.

(b) All railroad workers (covered directly by system, and not through financial interchange provisions, if railroad retirement taxable wage base is not the same as the HI base; if bases are the same, RR system collects contributions and transfers them to HI trust fund through financial interchange provisions; HI trust fund pays benefits to suppliers of services in either case).

### *II. Persons protected (for benefit purposes)*

(a) Insured persons—all individuals aged 65 or over who are eligible for any type of OASDI or railroad retirement monthly benefit (i.e., as insured workers, dependents, or survivors), without regard to whether retired (i.e., no earnings test).

(b) Noninsured persons—all other individuals aged 65 or over before 1968 who are citizens or who are aliens lawfully admitted for permanent residence with at least 5 consecutive years of residence and who are not subversives or retired Federal employees (or dependents of such individuals) covered under the Federal Employees Health Benefits Act of 1959 (including certain individuals who could have been covered if they had so elected). Those in this category attaining age 65 after 1967 must have certain amounts of OASDI or RR coverage to be eligible for HI benefits—namely, three quarters of coverage for each year after 1965 and before age 65, so that the provision becomes ineffective for men attaining age 65 after 1973 (for women, 1971), since then the “regular” OASDI insured status conditions are easier to meet.

### *III. Benefits provided*

(a) Hospital benefits—full cost of all hospital services (i.e., including room and board, operating room, laboratory tests and X-rays, drugs, dressings, general nursing services, and services of interns and residents in training) for semiprivate accommodations for up to 90 days in a “spell of illness” (a period beginning with the 1st day of hospitalization and ending after the person has been out of a hospital and an extended care facility for 60 consecutive days), after a deductible of \$40 and coinsurance of \$10 per day for all days after the 60th one, and also a deductible of the cost of the first 3 pints of blood; after 1968, the \$40 deductible and the \$10 coinsurance will be automatically adjusted to reflect changes in hospital costs after 1966; lifetime maximum of 190 days for psychiatric hospital care.

(b) Extended care facility (skilled nursing home or convalescent wing of hospital) benefits—following at least 3 days of hospitalization and for continued care of a condition for which a person was hospitalized, up to 100 days of such care in a spell of illness, with coinsurance of \$5 per day for all days after the 20th one; after 1968, the

\$5 coinsurance will be automatically adjusted to reflect changes in hospital costs after 1966.

(c) Home health services benefits—following at least 3 days of hospitalization, beginning within 14 days of leaving hospital or extended care facility, up to 100 visits in the next 365 days and before the beginning of the next spell of illness; such services are essentially for homebound persons and include visiting nurse services and various types of therapy treatment, including out-patient hospital services when equipment cannot be brought to the home.

(d) Out-patient hospital diagnostic services benefits—80 percent of the cost of such services, after a deductible of \$20 with respect to services furnished by a particular hospital in a 20-day period; the amount of the deductible would be adjusted after 1968 in the same manner as the hospital deductible; any deductible paid for these services is used as an incurred expense under the voluntary supplementary plan.

(e) Services not covered—services obtained outside of the United States,<sup>1</sup> elective "luxury" services (such as private room or television), custodial care, hospitalization for services not necessary for the treatment of illness or injury (such as elective cosmetic surgery), services performed in a Federal institution (such as a Veterans' Administration hospital), and cases eligible under workmen's compensation.

(f) Administration—by Department of Health, Education, and Welfare, through fiscal intermediaries (such as Blue Cross, other health insurance organizations, or State agencies) who are able to assist the providers of services in applying safeguards against over-utilization of services. Each provider of services can nominate a fiscal intermediary or can deal directly with the Department. The providers of services are reimbursed on a "reasonable cost" basis, and the fiscal intermediaries are reimbursed for their reasonable costs of administration. The providers of services must meet certain standards, including establishment of utilization review committees for hospitals and extended care facilities and development of transfer agreements between hospitals and extended care facilities.

(g) Effective date—July 1, 1966, for all benefits except extended care facility benefits (January 1, 1967).

#### *IV. Financing*

(a) Insured persons—on a long-range self-supporting basis (just as OASDI) through separate schedule of increasing tax rates on covered workers (see table A), with same maximum taxable earnings base as scheduled for OASDI, \$6,600; same rate applies to employees, employers, and self-employed (unlike OASDI).

(b) HI trust fund—separate trust fund, with separate Board of Trustees (same membership as for OASI and DI trust funds) and with same investment procedures.

(c) Noninsured persons—from general revenues, through the HI trust fund.

<sup>1</sup> Except for emergency services for an illness occurring in the United States.

TABLE A.—Hospital insurance contribution rates and combined OASDI and HI contribution rates

[In percent]

Calendar year	HI rate <sup>1</sup>	Combined OASDI and HI rate	
		Employer-employee	Self-employed
1965.....		7.25	5.40
1966.....	0.35	8.40	6.15
1967-68.....	.50	8.80	6.40
1969-72.....	.50	9.80	7.10
1973-75.....	.55	10.80	7.55
1976-79.....	.60	10.90	7.60
1980-86.....	.70	11.10	7.70
1987 and after.....	.80	11.30	7.80

<sup>1</sup> Rate for employee; same for both employer and self-employed.

## VI. SUMMARY OF MAJOR PROVISIONS OF THE SUPPLEMENTARY MEDICAL INSURANCE SYSTEM

### *I. Coverage provisions (for contribution and benefit purposes)*

(a) Persons aged 65 and over on December 31, 1965—voluntary individual election of coverage during period up to March 31, 1966, by any individual eligible for HI benefits or by any other citizen or any other alien lawfully admitted for permanent residence who has at least 5 consecutive years of residence (except subversives), to be effective July 1, 1966; if such an individual fails to enroll for good cause, within the time limit, he can nevertheless enroll before October 1966, effective 6 months later.

(b) Persons attaining age 65 after 1965—similar election in the 7-month period centering around the month of attainment of age 65 (or first subsequent month when eligibility requirements are met), to be effective for month of attaining age 65 if elected in advance (otherwise, effective for first to third month following election).

(c) Persons failing to enroll in initial period can enroll in next general enrollment period (October to December of each odd-numbered year), to be effective the next July; only one opportunity to enroll in this way.

(d) Termination of enrollment—either by failure to pay premiums (for premiums not deducted from benefits) or by election to do so during a general enrollment period; individual who terminates coverage may reenroll within 3 years if he does so in a general enrollment period, with reenrollment permitted only once.

### *II. Benefits provided*

(a) Types of benefits—physician and surgeon services (including anesthesiologist, pathologist, radiologist, and physical medicine in hospital), home health services (as in HI, but without requirement that they be furnished after hospitalization), and certain other medical services, such as various diagnostic tests, limited ambulance services, prosthetic devices, rental of hospital equipment used at home, and supplies used for fractures.

(b) Amount of reimbursement—plan pays 80 percent of reasonable charge (or cost, as case may be) after participant has paid a calendar-year deductible of \$50; special limits on out-of-hospital mental-care costs (50 percent coinsurance and \$250 maximum annual reimbursement), and on home health services (100 visits per calendar year).

(c) Basis of payment—reimbursement on a “reasonable charge” basis for individual suppliers of services and on a “reasonable cost” basis for institutional suppliers of services. When payment is made directly to individual suppliers (by assignment), the bill to the patient may not exceed the reasonable charge basis; otherwise, payment is made to the participant only upon presentation of a receipted bill.

(d) Services not covered—drugs (covered only under HI when receiving covered hospital or extended care facility services), private

duty nursing, dental services, skilled nursing home and custodial care, routine physical and eye examinations, elective cosmetic surgery, services performed by a relative or household member, services performed by a governmental agency, eyeglasses and hearing aids, and cases eligible under workmen's compensation.

(e) Administration—by Department of Health, Education, and Welfare, through carriers (such as Blue Shield and insurance companies) who are selected by the Department, who have had experience in this field, and who will determine the reasonable costs and charges applicable and will assist in controlling utilization. Carriers are paid their reasonable costs of administration.

(f) Effective date—July 1, 1966.

### III. Financing

(a) Participant premiums—uniform monthly premium at a rate determined by Secretary of Health, Education, and Welfare. The rate is applicable for a 2-year period and is intended to be adequate, along with other income of the system, to support the cost of the benefits and administration, plus a margin for contingencies. The initial rate of \$3 is applicable for July 1966 through December 1967. A higher rate is to be paid by those enrolling late, 10 percent additional for each full year of delay.

(b) Government contributions—amount equal to total premiums of participants. An amount equal to 6 months' Government contributions for all eligible to participate on July 1, 1966, is to be made available as a contingency reserve on a non-interest-bearing loan basis until December 31, 1967. About \$100 million per year of the cost to the Government is offset by the net effect of eliminating the special income tax deduction features for medical expenses of persons aged 65 and over, but giving more liberal income tax deductions for health insurance premiums for persons of all ages, effective for 1967.

(c) Payment of premiums—by automatic deduction from OASDI, railroad retirement, or civil service retirement benefits when possible. Otherwise, for persons affected by earnings test and for persons not eligible for such benefits, by direct payment (not necessarily on a monthly basis), with a grace period determined by the Secretary of Health, Education, and Welfare of up to 90 days. Public assistance agencies may enroll, and pay premiums for, old-age assistance recipients.

(d) SMI trust fund—established on same basis as OASI, DI, and HI trust funds, with separate Board of Trustees (same membership) and with same investment procedures.

ELEMENTS OF ENTITLEMENT AND BENEFITS  
AVAILABLE UNDER THE HOSPITAL INSURANCE  
BENEFITS FOR THE AGED AND THE SUPPLE-  
MENTARY MEDICAL INSURANCE BENEFITS FOR  
THE AGED PROGRAMS PROVIDED IN THE SOCIAL  
SECURITY AMENDMENTS OF 1965

PUBLIC LAW 97, 89TH CONGRESS

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PREPARED BY

THE COMMITTEE ON FINANCE  
UNITED STATES SENATE



AUGUST 5, 1965.—Ordered to be printed

S. Res. 134

Submitted by Mr. Byrd of Virginia

IN THE SENATE OF THE UNITED STATES,  
*August 5, 1965.*

*Resolved,* That there be printed as a Senate document a brief explanation of the elements of entitlement to and benefits available under the hospital insurance benefits for the aged and the supplementary medical insurance benefits for the aged enacted in the Social Security Amendments of 1965, pursuant to H.R. 6675; and that one hundred and twenty thousand additional copies shall be printed, of which one hundred and three thousand shall be for the use of the Senate and seventeen thousand for the use of the Committee on Finance.

Attest:

FELTON M. JOHNSTON,  
*Secretary.*

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## HEALTH INSURANCE FOR THE AGED

### I. IN BRIEF

The law adds a new title XVIII to the Social Security Act providing two related health insurance programs for persons 65 or over:

(1) A basic hospital insurance plan in part A providing protection against the costs of hospital and related care for virtually all persons who are now over 65 or who will be in the next few years (90 days of hospital care, 100 days of posthospital skilled nursing home care, home health—such as visiting nurse—services up to 100 visits, and outpatient hospital diagnostic clinic services).

(2) A supplementary medical insurance plan in part B providing protection against the costs of physicians' services and other medical and health services to cover certain areas not covered by the basic plan.

Enrollment in the supplementary plan would be voluntary and would be financed by a small monthly premium (\$3 per month initially) paid by enrollees and an equal amount supplied by the Federal Government out of general revenues. The premiums for social security, railroad retirement, and civil service retirement beneficiaries who voluntarily enroll would be deducted from their monthly insurance checks insofar as possible. Other persons desiring the supplemental plan would make periodic premium payments to the Government.

Both the basic plan and the supplementary plan *would not become effective until July 1, 1966*. The so-called "extended care facility" care (posthospital skilled nursing home) under the basic program *would not be available until January 1, 1967*.

### II. WHAT PEOPLE SHOULD DO NOW

Most people age 65 or over will *not* have to go to the social security office to qualify for protection under the hospital and medical insurance program.

1. *Individuals will not need to go to their social security or railroad retirement office if they—*

(a) are getting social security or railroad retirement benefits. Such people qualify automatically for hospital insurance, and an application card for medical insurance benefits will be mailed to them beginning in September with a leaflet explaining both of these programs.

(b) are receiving a Federal civil service retirement annuity. They will get information and the necessary applications by mail and be told if it is necessary to go to the social security office later.

(c) are receiving State administered public assistance payments. In most cases, the public assistance agency will assist them in applying for hospital insurance and will advise them about

enrolling for medical insurance. Moreover, the health insurance programs will be backed up by a liberalized State administered medical assistance (Kerr-Mills) program. See page 10 as to interrelationship.

2. *Individuals should go to their social security office after September 1, 1965, to apply under both programs if they—*

(a) are not eligible or receiving any of the above payments.

(b) have social security credit but have never applied for benefits because they have stayed on the job.

In the meantime, inasmuch as the effective dates of the health insurance program are still almost a year away, elderly people are advised not to modify their present health insurance protection until they have thoroughly analyzed the new programs in the light of their own individual needs. They may be assisted in this by Social Security personnel, their private insurance agent, or other individuals trained to render assistance in this area.

### III. BASIC PLAN—HOSPITAL INSURANCE

#### A. ENTITLEMENT

*Covered are—*

(1) All individuals 65 and over eligible for social security or railroad retirement benefits, whether they are actually receiving benefits or if benefits are not being paid them because they are working; and

(2) All people who are not insured under social security or railroad retirement who are now age 65 or who will reach age 65 before 1968, including Federal employee retirees who are not covered under the Federal Employees' Health Benefits Act of 1959 (see exceptions below).

*Excluded (if not eligible for social security or railroad retirement benefits) are—*

(1) Federal employees who are covered under the provisions of the Federal Employees' Health Benefits Act of 1959, or who were covered on February 16, 1965, or who, if they retired after February 15, 1965, could have been covered under the program;

(2) Aliens, except those who have been admitted for permanent residence and have been residents of the United States for 5 continuous years; and

(3) Individuals who have been convicted of certain crimes of a subversive nature and certain other subversives.

#### B. BENEFITS

The services for which payment would be made under the basic plan include

##### 1. *Inpatient hospital services*

Inpatient hospital services will be furnished for *up to 90 days* in each spell of illness (see p. 5 for definition) with the patient paying a deductible amount of \$40 (initially) for the first 60 days plus a \$10 a day coinsurance for the 30 days above the first 60 days.

*Covered services.*—Hospital services would include virtually all those ordinarily furnished by a hospital to its inpatients; however, *payment would not be made* for private duty nursing or for the hospital services of physicians *except* services provided by medical or dental interns or residents in training under approved teaching programs. Like other

physicians' services, the services of radiologists, anesthesiologists, pathologists, and other physicians employed by the hospital or working through the hospital would be paid for under the voluntary supplementary plan; such services would not be covered under the hospital insurance plan. However, the services of the nonphysician technicians aiding such persons would be covered under the hospital insurance plan.

*Inpatient psychiatric hospital service* will also be included, but a lifetime limitation of 190 days will be imposed.

*Hospital room and board* will be paid in full after the deductible has been met in accommodations containing from two to four beds. Payment would also be made for private accommodations where their use is medically indicated—ordinarily only when the patient's condition requires him to be isolated. Where private accommodations are furnished for the patient's comfort, the payments would cover *only* the equivalent of the reasonable cost of accommodations containing two to four beds; the patient would pay the extra charges for the private room.

*Nursing services* ordinarily furnished by hospitals would be paid for, but private duty nursing would not be covered.

*Drugs and biologicals* furnished to hospital patients for their use while inpatients would be paid for. Payment would be provided for all drugs and biologicals which are listed in the standard drug formularies, or which are approved by the pharmacy and drug therapeutics committee (or equivalent committee) of the medical staff of the hospital furnishing the drugs and biologicals.

The cost of the first 3 pints of blood furnished for an individual during a spell of illness must be borne by the individual unless the blood is replaced by a donor.

*Supplies and appliances* would be paid for under the hospital insurance plan when they are a necessary part of the covered inpatient hospital services a patient receives. For example, the use of a wheelchair, crutches, or prosthetic appliances could be paid for as part of hospital services but payment for hospital services would not cover furnishing these items to the patient for use after his discharge. (However, the cost of using these items after hospitalization might be paid for if needed as part of the posthospital extended care he might receive or it might be provided under a plan for his home health services.)

Items supplied at the request of the patient for his convenience, such as television rental in hospitals, would not be paid for under the program.

## 2. *Posthospital extended (skilled nursing home) care*

Posthospital extended (skilled nursing home) care will be covered (in a facility having an arrangement with a hospital for the timely transfer of patients and for furnishing medical information about patients and meeting other qualifying requirements) after the patient is transferred from a hospital (after at least a 3-day stay) *for up to 100 days in each spell of illness* (see p. 5 for definition), but after the first 20 days of care patients will pay \$5 a day for the remaining days of extended care in a spell of illness.

The transfer to the facility must be for continued care of the same illness within 14 days of his hospital discharge. A patient who meets the hospital-transfer requirement and who is then discharged from the extended care facility to his home could again receive extended care

benefits in the same spell of illness without being hospitalized again if he is readmitted to a qualified facility within 14 days after discharge.

*Covered services.*—The program will cover the items and services generally furnished by posthospital extended care facilities. These include room and board in two- to four-bed accommodations, nursing care, physical, occupational and speech therapy, and such drugs as are ordinarily furnished by the facility to its inpatients.

In addition, payment could be made for the services of interns and residents in training and other diagnostic and therapeutic services furnished inpatients of the extended care facility by a hospital with which it has an agreement for the transfer of patients and exchange of medical records.

Payment would also be made for physical, occupational, and speech therapy furnished by a party other than the facility if furnished under arrangements which provide for payment for therapy to be made through the facility.

*In no case could payment be made* for any service, or other item which could not be paid for under the hospital insurance program if furnished in a hospital. Neither could payment be made for services not generally provided by posthospital extended care facilities. For example, under this rule the use of an operating room would not be covered in the case of an extended care facility since operating rooms are not generally maintained as part of such facilities.

### *3. Outpatient hospital diagnostic services*

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

*Covered services.*—Payment could be made for tests and related services—other than those performed by physicians—that are ordinarily furnished by a participating hospital to its outpatients for the purpose of diagnostic study. Payments could also be made for such services furnished by others under arrangements with the hospital that provide for the billing to be through the hospital.

Where the services are furnished outside the hospital, they would have to be furnished in facilities operated by or under the supervision of the hospital or its organized medical staff. (Diagnostic tests performed in a physician's office would, like other physicians' services generally be covered under the voluntary supplementary plan unless part of a routine physical checkup. The deductible for the outpatient tests under the basic program is creditable against the deductible (or is otherwise creditable) under the voluntary supplementary plan.

### *4. Posthospital home health services*

Posthospital home health services will be furnished for up to 100 visits,<sup>1</sup> after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness. (See p. 5 for definition.) Such a person must be in the care

<sup>1</sup> A "visit" would be defined in regulations. It is contemplated, for example, that ordinarily one visit would be charged each time home health personnel furnish a covered service to the patient. For instance, a visit would be charged each time a therapist would go to the patient's home to furnish speech therapy. If a beneficiary had a visit from a speech therapist and a visiting nurse in the same day, two visits would be charged. Similarly, if the patient were to be taken to a hospital to receive outpatient therapy that could not be furnished in his own home—hydrotherapy, for example—and also received speech therapy and other services at the hospital in the course of the same visit, two or more visits might be charged.

of a physician and under a plan established by a physician within 14 days of discharge calling for such services.

*Covered services.*—These services will include intermittent nursing care, therapy, and, to the extent provided by regulations, the part-time services of a home health aide. The duties of the home health aide which would be covered are comparable to those of a nurse's aide in the hospital who would have had training and experience that is not ordinarily possessed by lay people—for example, training and experience in giving bed baths to ill and bedfast patients. Food service arrangements, such as those of meals-on-wheels programs, or the services of housekeepers, however, *will not* be paid for under the home health provisions.

While the home health patient would have to be homebound to be eligible for benefits, provision is made for the payment for services furnished at a hospital or extended care facility or rehabilitation center which requires the use of equipment that cannot ordinarily be taken to the patient in his home. In some cases special transportation arrangements may have to be made to bring the homebound patient to the institution providing these special services. (The transportation itself would not be paid for.)

If a patient is furnished other services at the hospital or facility at the same time, these too could be paid for, even though they are of a kind that could be furnished in the patient's home. But such services would be covered *only* if they are furnished under arrangements which provide for billing through the home health agency. For example, if it is necessary, because of the size of the equipment involved, to take the patient to a hospital to give him physical therapy and while at the hospital he receives speech therapy, benefits could be paid for both services, but *only* if the home health agency takes responsibility for arranging and billing for all the services.

#### 5. *Definition of "spell of illness"*

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

#### 6. *Adjustment of deductibles and co-insurance in future*

The deductible amounts for inpatient hospital and outpatient hospital diagnostic services would be increased if necessary to keep pace with increases in hospital costs, but no such increase would be made before 1969. The coinsurance amounts for long-stay hospital and extended care facility benefits would be correspondingly adjusted.

#### 7. *Christian Scientists*

Christian Scientists are treated separately so that they will have sanatorium services of up to 60 days with \$40 deductible plus 30 additional days at \$10 coinsurance per day, as hospital service; plus an additional 30 days in a Christian Science sanatorium as extended care facility services with the \$5 per day coinsurance feature.

#### 8. *Geographical limits*

Payments will only be made for items and services provided in the United States, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa. These limits are also applicable

to the voluntary supplementary plan. Certain hospital services under the basic plan may be provided in border areas immediately outside the United States but only if the hospital in question was closer or substantially more accessible than comparable facilities within the United States and the beneficiary becomes ill or is injured in this country.

#### IV. SUPPLEMENTARY MEDICAL INSURANCE PLAN

##### A. ELIGIBILITY

Supplementary medical insurance will be available to all people age 65 and over (whether or not they are social security or railroad retirement beneficiaries) who are residents of the United States and either are citizens or aliens admitted for permanent residence who have had 5 years of continuous residence. Any person entitled to the basic hospital insurance benefit would be eligible regardless of the preceding requirements.

##### B. PREMIUM PAYMENTS

The legislation establishes a premium of \$3 a month initially for every individual 65 or over who enrolls. Since the minimum increase in cash social security provided by the legislation for retired workers 65 and over will be \$4 a month (\$6 a month for an aged couple) the benefit increase will cover the initial enrollment costs. The \$3 a month figure will remain in effect at least until 1968. The law requires that the premium rates be examined every 2 years starting in 1967. The rates for the succeeding 2 years may be adjusted if a higher premium is required to pay the program's expenses.

##### C. ENROLLMENT

Persons who have reached age 65 before January 1, 1966, will have an opportunity to enroll in an enrollment period which begins on September 1, 1965, and ends March 31, 1966.

Persons attaining age 65 subsequent to December 31, 1965, will have enrollment periods of 7 months beginning 3 months before the month of attainment of age 65.

In the future, general enrollment periods will be from October to December 31 in each odd numbered year. The first such period will be October 1 to December 31, 1967. However, premiums payable by a person who enrolled later than the first period when enrollment was open to him (or who reenrolled after his enrollment was terminated) will be increased by 10 percent for each full year he could have been but was not enrolled. Moreover, his coverage will not start until the sixth month after he enrolls.

No person may enroll more than 3 years after the close of the first enrollment period in which he could have enrolled.

There will be only one chance to reenroll for persons who are in the plan but drop out, and the reenrollment must occur within 3 years of termination of the previous enrollment.

Coverage may be terminated (1) by the individual filing notice during an enrollment period, or (2) by the Government for nonpayment of premiums.

If a State so desires it may, by paying the prescribed premium, enroll its public assistance recipients who are receiving cash payments.

#### D. COVERAGE DATE

The effective date for coverage under the plan is related to the 65th birthday in the following way (except that no benefits begin before July 1, 1966):

Individuals who enroll before the month of their 65th birthday are covered when they reach age 65;

Those who enroll during the month of their 65th birthday are covered beginning with the following month;

Those who enroll during the month after the month of their 65th birthday are covered beginning with the month following enrollment;

Those who enroll later than that are covered beginning with the third month after the month of enrollment.

#### E. BENEFITS

The voluntary supplementary insurance plan will cover physicians' services, home health services, and numerous other medical and health services in and out of medical institutions.

There will be an annual deductible of \$50. Then the plan will cover 80 percent of the patient's bill (above the deductible) for the following services:

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

*Dental surgery.*—Physicians' services will include certain services performed by a doctor of dentistry or of dental or oral surgery. Only surgery related to the jaw or a contiguous structure and the reduction of fractures of the jaw or facial bones would be covered. Routine dental care is not covered under the program.

*Incidental service and supplies.*—Items, supplies, services of aides, etc. (including drugs which cannot be self-administered), that are incidental to physicians' personal services will be covered in the hospital, clinic, home, or office and regardless of whether the bills are rendered by the hospital, the physician, or both.

(2) *Home health services (with no requirement of prior hospitalization) for up to 100 visits during each calendar year.* See description under basic plan as to scope of services (see pp. 4 and 5).

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

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

(5) *Ambulance services.* Such services will be covered *only* where other methods of transportation are not feasible due to the individual's condition, and only to the extent provided in regulations. Transportation by ambulance would be covered *only* if (a) normal transportation would endanger the health of the patient and (b) the individual is transported to the nearest hospital with appropriate facilities or to one in the same locality, and, under similar restrictions, from one hospital to another, to the patient's home or to an extended care facility.

(6) *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) which replace all or part of an internal body organ; braces and artificial legs, arms, eyes, etc.

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

#### F. DEDUCTIBLE

The \$50 deductible would be applied on a calendar year basis, except that expenses the individual incurred in the last 3 months of the preceding calendar year would be counted as satisfying the deductible if they had been counted toward the deductible in that year. This special carryover provision would avoid requiring persons with substantial costs at the end of 1 year to meet the deductible perhaps early in the next year as though they had had no prior bills. As mentioned previously, the outpatient hospital diagnostic deductible under the basic plan would be regarded as an incurred expense for purposes of the supplementary plan; i.e., it would count toward satisfying the \$50 deductible and, where the \$50 deductible has been met, it would count as an expense for which the supplementary plan would make payment.

#### G. EXCLUSIONS

##### 1. *Routine checkups, eyeglasses, hearing aids, dental care, orthopedic shoes*

Payments would not be made for routine physical examinations or for eyeglasses, hearing aids, or the fitting expenses or other costs incurred in connection with their purchase. As mentioned previously, routine dental treatment—filling, removal, or replacement of teeth or treatment of structures directly supporting teeth—would not be covered.

Payment will be made under the supplementary plan for the physician's services connected with the diagnosis of a specific complaint and the treatment of the ailment, but a routine annual or semiannual checkup would *not* be covered.

Similarly, the diagnosis and treatment by an ophthalmologist of, say, cataracts would be covered but the expenses of an eye examination to determine the need for eyeglasses and charges for prescribing and fitting eyeglasses or contact lenses would *not* be covered. Nor would payment be made for orthopedic shoes or other supportive devices for the feet.

##### 2. *Cosmetic surgery*

Expenses for cosmetic surgery would not be covered except where incurred in connection with the prompt repair of an accidental injury or to improve the functioning of a malformed body member. For example, cosmetic surgery could be paid for when furnished in connection with the treatment of a severely burned person.

### 3. *Services not medically necessary or for custodial care*

Payment for health items or services that are not reasonable and necessary for the treatment of illness or injury or to improve the functioning of a malformed body member would not be covered. Thus, payment could be made for the rental of a special hospital bed to be used by a patient in his home only if it was a reasonable and necessary part of a sick person's treatment.

Similarly, such potential personal comfort items and services as massages and heat lamp treatments would *only* be covered where they contribute meaningfully to the treatment of an illness or injury or the functioning of a malformed body member. Expenses for custodial care would also be excluded.

## V. MISCELLANEOUS

### A. RELATIONSHIP TO OTHER HEALTH INSURANCE COVERAGE, WORKMEN'S COMPENSATION, AND FREE CARE

If a person received his care on some prearranged basis toward which he prepaid, the hospital or medical insurance programs would nevertheless pay his benefits in full. It is expected, however, that individuals will adjust their private insurance policies in consideration of the fact that the insurance programs will meet part of their health costs.

Except in such cases as the Secretary of Health, Education, and Welfare may specify, no payment would be made for items and services which are paid for directly or indirectly by a governmental entity. This does not mean, however, that a person would be denied benefits because he was also covered under a State or local government employee health benefits plan. Moreover, a person of little means could not be barred from payments under the programs because he met the test of medical indigency and was otherwise eligible to receive medical care under a public assistance program. If payment is actually made under the assistance program, however, no payment would be authorized under the insurance programs. Also the insurance programs would not pay for any item or service furnished an individual if neither the individual nor any other person (such as a prepayment plan) has a legal obligation to pay for or provide the services. Free chest X-rays provided by health organizations, for example, would not be covered. Where health expenses are charged the patient by a member of the patient's household or by an immediate relative, no payment would be made.

Payment also would not be made for health items and services to the extent that payments have been made, or can reasonably be expected to be made, for them under a workmen's compensation law. The Secretary would prescribe regulations to govern the making of payments where a beneficiary's status under workmen's compensation has not been ascertained. Payment would be made under the insurance plans on the condition that repayment would be made if information is received that a workmen's compensation payment for the health care has been made.

## B. APPEAL BY BENEFICIARIES

The legislation provides for the Secretary of Health, Education, and Welfare to make determinations, under both the hospital insurance plan and the supplementary plan, as to whether individuals are entitled to hospital insurance benefits or supplementary medical insurance benefits and for hearings by the Secretary and judicial review where an individual is dissatisfied with the Secretary's determination. Hearings and judicial review are also provided where an individual is dissatisfied with a determination as to the amount of benefits under the hospital insurance plan if the amount in controversy is \$1,000 or more. If the amount in controversy is at least \$100 but less than \$1,000, the individual will have the right of appeal to the Secretary (hearings examiner under the Administrative Procedure Act) but not to judicial review. (Under the supplementary plan, carriers, not the Secretary, would review beneficiary complaints regarding the amount of benefits.)

## C. ROLE OF THE PHYSICIAN

The physician is to be the key figure in deciding admission to a hospital or whether nursing home care is necessary following hospitalization. Also he is the one to establish a plan for home health care if it is so required by the patient. Payments under the law could only be made if a physician certifies as to the medical necessity of the services.

## D. RELATIONSHIP TO THE STATE-ADMINISTERED MEDICAL ASSISTANCE (KERR-MILLS) PROGRAM

The health insurance programs will be backed up by a liberalized Kerr-Mills medical assistance program under the administration of the States. The latter will in many cases provide protection for needy and medically needy people who have exhausted their benefits under the health insurance programs or need assistance in areas not covered by these programs. It will also assist such persons in meeting the deductible requirement under the basic hospital insurance program and the States may also, at their option, take care of the deductibles and coinsurance for their needy people who are under the supplementary program. The Kerr-Mills program varies from State to State and information should be obtained at the appropriate State agency.



[COMMITTEE PRINT]

COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
EIGHTY-NINTH CONGRESS  
FIRST SESSION

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SUMMARY OF MAJOR PROVISIONS OF  
PUBLIC LAW 89-97  
THE SOCIAL SECURITY AMENDMENTS OF 1965



SEPTEMBER 1965

Printed for the use of the Committee on Ways and Means

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## PRINCIPAL PROVISIONS OF PUBLIC LAW 89-97

### A. HEALTH INSURANCE AND MEDICAL CARE FOR THE AGED

The law adds a new title XVIII to the Social Security Act providing two related health insurance programs for persons 65 or over:

(1) A basic plan in part A providing protection against the costs of hospital and related care; and

(2) A voluntary supplementary plan in part B providing protection against the costs of physicians' services and other medical and health services to cover certain areas not covered by the basic plan.

The basic plan is financed through a separate payroll tax and separate trust fund. The plan is actuarially sound under conservative cost assumptions. Benefits for persons currently over 65 who are not insured under the social security and railroad retirement systems are to be financed out of Federal general revenues.

Enrollment in the supplementary plan is voluntary and is financed by a small monthly premium (\$3 per month initially) paid by enrollees and an equal amount supplied by the Federal Government out of general revenues. The premiums for social security, railroad retirement, and civil service retirement beneficiaries who voluntarily enroll are to be deducted from their monthly insurance benefits. Uninsured persons desiring the supplemental plan make the periodic premium payments to the Government.

Both the basic plan and the supplementary plan become effective July 1, 1966.

The act also adds a new title XIX to the Social Security Act which provides a more effective Kerr-Mills program for the aged and extends its provisions to additional needy persons. It allows the States to combine within a single uniform category the differing medical provisions for the needy which are found in five titles of the Social Security Act. Medical vendor provisions in existing law expire on December 31, 1969.

A description of these three programs follows:

#### 1. BASIC PLAN—HOSPITAL INSURANCE

*General description.*—Basic protection, financed through a separate payroll tax, is provided by Public Law 89-97 against the costs of inpatient hospital services, posthospital extended care services (skilled nursing home), post-hospital home health services, and outpatient hospital diagnostic services for social security and railroad retirement beneficiaries when they attain age 65. Benefits for railroad retirement eligibles are financed by the railroad retirement tax if certain conditions are met. The same protection, financed from general revenues, is provided under a special transitional provision for essentially all people who are now aged 65, or who will reach 65 in the near future,

but who are not eligible for social security or railroad retirement benefits.

*Effective date.*—Benefits will be effective on July 1, 1966, except for services in extended care facilities which will be effective on January 1, 1967.

*Eligibility for protection under the basic plan*

Hospital insurance protection will be provided (on the basis of a new section in title II of the act) for people aged 65 and over who are entitled to monthly social security benefits or to annuities under the Railroad Retirement Act. In addition, people who are now aged 65 or will reach 65 within the next few years and who are not insured under the social security or railroad programs are nevertheless covered under the basic plan. In July 1966, when the program becomes effective, about 17 million people aged 65 and over who are eligible for social security or railroad retirement benefits, and about 2 million aged who are covered under a special transitional provision, will have the basic hospital insurance.

Included under the special provision are all uninsured people who have reached 65 before 1968. As to persons reaching 65 after 1967, they have to have the quarters of coverage that are indicated in the following table:

*Quarters of coverage required for OASI cash benefits as compared to hospital insurance*

Year attains age 65	Men		Women	
	OASI	Hospital insurance	OASI	Hospital insurance
1967 or before .....	6-16	0	6-13	0
1968 .....	17	6	14	6
1969 .....	18	9	15	9
1970 .....	19	12	16	12
1971 .....	20	15	17	15
1972 .....	21	18	18	(1)
1973 .....	22	21		
1974 .....	23	(1)		

<sup>1</sup> Same as OASI.

As indicated in the table, by 1974 the quarters of coverage required for cash benefits and hospitalization insurance benefits will be the same and the "transitional" provision will phase out.

Together, these two groups comprise virtually the entire aged population. The major group excluded are individuals afforded protection under the provisions of the Federal Employees' Health Benefits Act (FEHBA). Federal employees who retired before February 16, 1965 and who did not have coverage under FEHBA on that date will be covered under the transitional provision for the uninsured. Others excluded are aliens (unless they have been admitted for permanent residence and have been residents of the United States for 5 years) and certain people convicted of subversive crimes.

Currently, 93 percent of the people reaching age 65 are eligible for benefits under social security or railroad retirement and this percentage will rise to close to 100 percent as the program matures.

*Benefits.*—The services for which payment is made under the basic plan include—

(1) inpatient hospital services for up to 90 days in each spell of illness. The patient pays a deductible amount of \$40 for the

first 60 days plus \$10 a day for 30 days in excess of 60 for each spell of illness; hospital services include all those ordinarily furnished by a hospital to its inpatients; however, payment will not be made for private duty nursing or for the hospital services of physicians *except* services provided by medical or dental interns or residents in training under approved teaching programs. Inpatient psychiatric hospital service also is included, but a lifetime limitation of 190 days is imposed.

(2) 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) after the patient is transferred from a hospital (after at least a 3-day stay) for up to 100 days in each spell of illness, but after the first 20 days of care patients will pay \$5 a day for the remaining days of extended care in a spell of illness;

(3) outpatient hospital diagnostic services, with the patient paying a \$20 deductible amount and a 20 percent coinsurance for each diagnostic study (that is, for diagnostic services furnished to him by the same hospital during a 20-day period); and

(4) posthospital home health services for up to 100 visits, after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness. Such a person must be in the care of a physician and under a plan established by a physician within 14 days of discharge calling for such services. These services include intermittent nursing care, therapy, and, to the extent provided by regulations, the part-time services of a home health aide. The patient must be homebound, except that when certain equipment is used, the individual may be taken to a hospital or extended care facility or rehabilitation center to receive some of these covered home health services in order to get advantage of the necessary equipment.

Christian Scientists are treated separately so that they will have sanatorium services of up to 60 days with \$40 deductible plus 30 additional days at \$10 coinsurance per day, as hospital service; plus an additional 30 days in a Christian Science sanatorium as extended care facility services with the \$5 per day coinsurance feature.

No service will be covered as posthospital extended care or as outpatient diagnostic or posthospital home health services if it is of a kind that may 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 or extended care facility 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 such increase may be made before 1969. The coinsurance amounts for long-stay hospital and extended care facility benefits will be correspondingly adjusted. 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 basic 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; however, some administration for individuals under the railroad retirement system is vested in the Railroad Retirement Board if certain financing conditions are met, as explained under the next heading. The Secretary will use appropriate State agencies and private organizations (nominated by providers of services) to assist in the administration of the program. Provision is made for the establishment of an Advisory Council which will advise the Secretary on policy matters in connection with administration.

*Financing.*—Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, will be earmarked in a separate hospital insurance trust fund established in the Treasury. The amount of earnings (earnings base) subject to the new payroll taxes is the same as for purposes of financing social security cash benefits. The same contribution rate applies equally to employers, employees, and self-employed persons and is as follows:

	<i>Percent</i>
1966.....	0.35
1967-70.....	.50
1971-72.....	.50
1973-75.....	.55
1976-79.....	.60
1980-86.....	.70
1987 and after.....	.80

The taxable earnings base for the health insurance tax is \$6,600 a year beginning in 1966.

The schedule of contribution rates is based on estimates of cost which assume that the earnings base will not be increased above \$6,600.

The benefits for railroad retirement eligibles are financed by the railroad retirement tax, which is automatically increased by the operation of this law, but the tax will be transferred into the hospital insurance trust fund. During any period that the railroad retirement wage base is not equivalent to the hospital insurance earnings base, railroad workers and employers will be taxed as other workers and employers, and the benefits for railroad retirement eligibles will be administered by the Department of Health, Education, and Welfare.

The cost of providing basic hospital and related benefits to people who are not social security or railroad retirement beneficiaries will be paid from general funds of the Treasury.

## 2. VOLUNTARY SUPPLEMENTARY MEDICAL INSURANCE PLAN

*General description.*—A package of benefits supplementing those provided under the basic plan is offered to all persons 65 and over on a voluntary basis. Individuals who enroll initially pay premiums of \$3 a month (deducted, where possible, from social security, railroad retirement, or civil service retirement benefits). The Government matches this premium with \$3 paid from general funds. Since the minimum increase in cash social security benefits under the law for workers retiring or who retired at age 65 or older is \$4 a month (\$6 a month for man and wife receiving benefits based on the same earnings record), the benefit increases fully cover the amount of monthly premiums.

*Eligibility.*—The supplementary insurance is available to all people age 65 and over (whether or not they are social security or railroad

retirement beneficiaries) who are residents of the United States and either are citizens or aliens admitted for permanent residence who have had 5 years of continuous residence. Any person entitled to the basic hospital insurance benefit is eligible regardless of the preceding requirements.

*Enrollment.*—Persons who reach age 65 before January 1, 1966, may enroll in an enrollment period which begins on September 1, 1965, and ends March 31, 1966.

Persons attaining age 65 subsequent to December 31, 1965, will have enrollment periods of 7 months beginning 3 months before the month of attainment of age 65.

In the future, general enrollment periods will be from October to December 31 in each odd-numbered year. The first such period will be October 1 to December 31, 1967.

No persons may enroll more than 3 years after the close of the first enrollment period in which he could have enrolled.

There will be only one chance to reenroll for persons who are in the plan but drop out, and the reenrollment must occur within 3 years of termination of the previous enrollment.

Coverage may be terminated (1) by the individual filing notice during an enrollment period, or (2) by the Government for nonpayment of premiums.

A State may provide the supplementary insurance benefits for its public assistance recipients who are receiving cash assistance if it chooses to do so.

*Effective date.*—Benefits are effective beginning July 1, 1966.

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

There is an annual deductible of \$50. Then the plan covers 80 percent of the patient's bill (above the deductible) for the following services:

- (1) Physicians' and surgeons' services, whether furnished in a hospital, clinic, office, in the home, or elsewhere.
- (2) Home health service (with no requirement of prior hospitalization) for up to 100 visits during each calendar year.
- (3) Diagnostic X-ray, diagnostic laboratory tests, and other diagnostic tests.
- (4) X-ray, radium, and radioactive isotope therapy.
- (5) Ambulance services.
- (6) 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) which replace all or part of an internal body organ; 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.

*Administration by carriers: Basis for reimbursement.*—The Secretary of Health, Education, and Welfare is required, to the extent possible, to contract with carriers to carry out the major administrative functions relating to the medical aspects of the voluntary

supplementary plan such as determining rates of payments under the program and holding and disbursing funds for benefit payments. No contract can be entered into by the Secretary unless he finds that the carrier will perform its obligations under the contract efficiently and effectively and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent. The contract must provide that the carrier take necessary action to see that where payments are on a cost basis (to institutional providers of service), the cost is a reasonable cost. Correspondingly, where payments are on a charge basis (to physicians or others furnishing noninstitutional services), the carrier must see that such charge is reasonable and not higher than the charge applicable, for a comparable service and under comparable circumstances, to the other policyholders and subscribers of the carrier. Payment by the carrier for physicians' services is made on the basis of a receipted bill, or on the basis of an assignment under the terms of which the reasonable charge is the full charge for the service. In determining reasonable charges, the carriers will consider the customary charges for similar services generally made by the physician or other person or organization furnishing the covered services, and also the prevailing charges in the locality for similar services.

*Financing.*—Aged persons who elect to enroll in the supplemental plan pay monthly premiums of \$3. Where the individual is currently receiving monthly social security, railroad retirement, or civil service retirement benefits, the premiums are deducted from his benefits.

The Government will help finance the supplementary plan through a payment from general revenues in an equal amount of \$3 a month per enrollee. To provide an operating fund, if necessary, at the beginning of the supplementary plan, and to establish a contingency reserve, a Government appropriation is to be available (on a repayable basis) equal to \$18 per aged person estimated to be eligible when the supplementary plan goes into effect.

The individual and Government contributions will be placed in a separate trust fund for the supplementary plan. All benefit and administrative expenses under the supplementary plan are to be paid from this fund.

Premium rates for enrolled persons (and the matching Government contribution) will be increased from time to time if program costs rise, but not more often than once every 2 years. The premium rate for a person who enrolls after the first period when enrollment is open to him or who reenrolls after terminating his coverage will be increased by 10 percent for each full 12 months he stayed out of the program.

### 3. IMPROVEMENT AND EXTENSION OF KERR-MILLS MEDICAL ASSISTANCE PROGRAM

*Purpose and scope.*—In order to provide a more effective Kerr-Mills medical assistance program for the aged and to extend its provisions to additional needy persons, the law establishes a single and separate medical care program to consolidate and expand the differing provisions for the needy which are found in five titles of the Social Security Act.

The new title (XIX) extends the advantages of an expanded medical assistance program not only to the aged who are indigent but

also to needy individuals in the dependent children, blind, and permanently and totally disabled programs and to persons who would qualify under those programs if in sufficient financial need. Other medically needy children may also be included.

Medical assistance under title XIX must be made available to all individuals receiving money payments under these programs and the medical care or services available to all such individuals must be equal in amount, duration, and scope. Effective July 1, 1967, all children under age 21 must be included who would, except for age, be dependent children under title IV.

Inclusion of the medically indigent aged not on the cash assistance rolls is optional with the State but if they are included, comparable groups of blind, disabled, and parents and children must also be included if they need help in meeting necessary medical costs. Moreover, the amount and scope of benefits for the medically indigent may not be greater than that of recipients of cash assistance.

Under Public Law 89-97, the provisions in the various public assistance titles of the act providing vendor medical assistance are terminated upon the adoption of the new program by a State, but in no case later than December 31, 1969.

*Scope of medical assistance.*—The State has to provide “some institutional and noninstitutional care” under the medical assistance for the aged program. There are no minimum benefit requirements at all under the other public assistance vendor medical program.

The law requires that by July 1, 1967, under the new program a State must provide inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services for individuals 21 years of age or older, and physician’s services (whether furnished in the office, the patient’s home, a hospital, a skilled nursing home or elsewhere), in order to receive Federal participation. Coverage of other items of medical service is optional with the States.

*Eligibility.*—The program for the needy elderly is revised to require that the States must provide a flexible income test which takes into account medical expenses and does not provide rigid income standards which arbitrarily deny assistance to people with large medical bills. In the same spirit the law provides that no deductible, cost sharing, or similar charge may be imposed by the State as to hospitalization under its program and that any such charge on other medical services must be reasonably related to the recipient’s income or resources. Also important is the requirement that elderly needy people on the State programs be provided assistance to meet the deductibles that are imposed by the new basic program of hospital insurance. Also where a portion of any deductible or cost sharing required by the voluntary supplementary program is met by a State program, the portion covered must be reasonably related to the individual’s income and resources. No income can be imputed to an individual unless actually available, and the financial responsibility of an individual for an applicant may be taken into account only if the applicant is the individual’s spouse or child who is under age 21 or blind or disabled.

*Increased Federal matching.*—The Federal share of medical assistance expenditures under the new program is determined upon a uniform formula with no maximum on the amount of expenditures

which is subject to participation. There is no maximum under the law on similar amounts for the medical assistance for the aged program. The Federal share, which varies in relation to a State's per capita income, is increased over prior medical assistance for the aged matching so that States at the national average receive 55 percent rather than 50 percent, and States at the lowest level may receive as much as 83 percent as contrasted with 80 percent.

In order to receive any additional Federal funds as a result of expenditures under the new program, the States need to continue their own expenditures at their present rate. For a specified period, any State that does not reduce its own expenditures will be assured of at least a 5-percent increase in Federal participation in medical care expenditures. As to compensation and training of professional medical personnel used in the administration of the program, the law provides a 75-percent Federal share as compared with the 50-50 Federal-State sharing for other administrative expenses.

*Administration.*—The law provides that any State agency may be designated to administer the program, as long as the determination of eligibility is accomplished by the agency administering the old-age assistance program.

*Effective date.*—January 1, 1966.

## B. INCOME TAX PROVISIONS

The law provides that the 3-percent floor on medical expense deductions, as well as the 1-percent limitation on medicines and drugs, is to apply to those age 65 or over in the same manner as it applies to those under age 65. This has the effect of partially recovering the \$3 monthly premium paid from general funds of the Treasury from those aged persons who have taxable income, depending on the amount of their taxable income.

The law also provides a special deduction, available to those who itemize their deductions, for one-half of any premiums paid for insurance of medical care expenses whether or not they have medical expenses in excess of the 3-percent floor, but this deduction may not exceed \$150 per year.

Another change limits the insurance premiums which may be taken into account to those which arise from coverage of medical care expenses and this must be indicated either on the insurance contract or on a separate statement supplied by the insurance company. Still a further change treats as current, qualifying medical care expenses (subject to limitations) the prepayment before age 65 of insurance for medical care after age 65. Also, all maximum limitations on the medical expense deduction for all taxpayers are eliminated.

These provisions apply to medical care expenses incurred in tax years beginning after December 31, 1966.

## C. CHILD HEALTH AND WELFARE AMENDMENTS

*Maternal and child health, crippled children, and child welfare.*—The law increases the amount authorized for maternal and child health services and crippled children's services over former authorizations by \$5 million for each program for fiscal year 1966 and by \$10 million for each succeeding fiscal year, as follows:

Fiscal year	Prior law	Under Public Law 89-97
1966.....	\$40,000,000	\$45,000,000
1967.....	40,000,000	50,000,000
1968.....	45,000,000	55,000,000
1969.....	45,000,000	55,000,000
1970 and after.....	50,000,000	60,000,000

The law has made a similar increase in the authorization for the child welfare program.

The increases will assist the States, in these programs, in moving toward the goal of extending services with a view of making them available to children in all parts of the State by July 1, 1975.

*Crippled children training personnel.*—The law also authorizes \$5 million for the fiscal year 1967, \$10 million for fiscal 1968, and \$17.5 million for each succeeding fiscal year to be used for grants to institutions of higher learning for training professional personnel for health and related care of crippled children, particularly mentally retarded children and children with multiple handicaps.

*Health care for needy children.*—A new provision is added authorizing the Secretary of Health, Education, and Welfare to carry out a 5-year program of special project grants to provide comprehensive health care and services for children of school age, or for preschool children, particularly in areas with concentrations of low-income families. The grants are to State health agencies, to the State agencies administering the crippled children's program, to any school of medicine (with appropriate participation by a school of dentistry), and any teaching hospital affiliated with such school, to pay not to exceed 75 percent of the cost of the project. Projects have to provide screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, including dental services, with treatment, correction of defects, and aftercare limited to children in low-income families.

An appropriation of \$15 million is authorized for the fiscal year ending June 30, 1966; \$35 million for the fiscal year ending June 30, 1967; \$40 million for the fiscal year ending June 30, 1968; \$45 million for the fiscal year ending June 30, 1969; and \$50 million for the fiscal year ending June 30, 1970.

The law further authorizes an appropriation of \$500,000 each for the fiscal years ending June 30, 1966, and June 30, 1967, for grants for studies of resources, methods and practices for prevention and diagnosis of emotional illness in children, and for treatment and rehabilitation of emotionally ill children.

*Mental retardation planning.*—Title XVII of the act is amended to authorize grants totaling \$2,750,000 for each of 2 fiscal years—the fiscal year ending June 30, 1966, and fiscal year ending June 30, 1967. The funds will be available during the 3-year period July 1, 1965, to June 30, 1968. The grants are for the purpose of assisting States to implement and followup on plans and other steps to combat mental retardation authorized under this title of the Social Security Act.

## D. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS

### 1. BENEFIT CHANGES

#### (a) *7-percent across-the-board increase in old-age, survivors, and disability insurance benefits*

The law provides a 7-percent across-the-board benefit increase, effective retroactively beginning with benefits for January 1965, for the 20 million social security beneficiaries on the rolls (with a guaranteed \$4 a month minimum increase for retired workers who are age 65 or over in the first month for which they are paid the increased benefit).

Monthly benefits for workers who retire at or after 65 are increased to a new minimum of \$44 (formerly \$40) and to a new maximum of \$135.90 (formerly \$127). In the future, creditable earnings under the increase in the contribution and benefit base to \$6,600 a year (formerly \$4,800) makes possible a maximum benefit of \$168.

The maximum amount of benefits payable to a family on the basis of a single earnings record is related to the worker's average monthly earnings at all earnings levels. Under prior law, there was a \$254 limit on family benefits which operated over a wide range of average monthly earnings. Under the law the highest family maximum eventually will be \$368.

#### (b) *Payment of child's insurance benefits to children attending school or college after attainment of age 18 and up to age 22*

The law continues to pay a child's insurance benefit until the child reaches age 22, provided the child is attending a public or an accredited school, including a vocational school or a college, as a full-time student after he reaches age 18. Children of deceased, retired, or disabled workers are included. No mother's or wife's benefits are payable if the only child in the mother's care is one who has attained age 18 but is in school.

This provision is effective retroactively to January 1, 1965. It is estimated that 295,000 children will be eligible for benefits for September 1965, when the school year begins.

#### (c) *Benefits for widows at age 60*

The law provides the option to widows of receiving benefits beginning at age 60, with the benefits payable to those who claim them before age 62 being actuarially reduced to take account of the longer period over which they will be paid. Full widow's benefits are payable at age 62.

This provision is effective as of September 1965. It is estimated that 185,000 widows will claim benefits during the first year of operation under this provision.

#### (d) *Amendment of disability program*

(i) *Definition of disability.*—The law eliminates the requirement that a worker's disability must be expected to be of long continued and indefinite duration, and instead provides that an insured worker is eligible for disability benefits if he has been under a disability which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 calendar months. Benefits payable by reason of this change are payable as

of September 1965. An estimated 60,000 people—disabled workers and their dependents—will become immediately eligible for benefits as a result of this change.

(ii) *Disability benefits offset provision.*—The law provides that the social security disability benefit for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings under social security prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in national average earnings levels. The offset provision is applicable with respect to benefits payable for months after December 1965 on the basis of disabilities commencing after June 1, 1965.

(iii) *Blindness as a disabling factor.*—

(a) Young workers who are blind and disabled: Establishes alternative insured status requirement for workers disabled before age 31 of one-half of the quarters elapsing after age 21 up to the point of disability with a minimum of six quarters, or, in the case of individuals disabled before age 24, at least one-half of the quarters in the 3-year period ending with the onset of the disability. [Otherwise for insured status an individual (1) must have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability begins and (2) must be fully insured.] To qualify for this alternative the worker has to meet the statutory definition of blindness for the disability "freeze." (Central visual acuity of 5/200 or less in the better eye with use of correcting lens. An eye in which the visual field is reduced to 5° or less concentric contraction shall be considered as having a visual acuity of 5/200 or less.) Worker, however, has to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.

(b) Older workers who are blind and disabled: Provides that those individuals aged 55 or over who meet the statutory definition of blindness in the disability "freeze" may qualify for cash benefits on the basis of their inability to engage in their past occupation or occupations. Their benefits will not be paid, however, if they are actually engaging in any substantial gainful activity.

(iv) *Rehabilitation services.*—Reimbursement from the social security trust funds to State vocational rehabilitation agencies is provided for the cost of rehabilitation services furnished to individuals who are entitled to disability insurance benefits or to disabled child's benefits. The total amount of the funds that may be made available from the trust funds for purposes of reimbursing State agencies for such services may not, in any year, exceed 1 percent of the social security disability benefits paid in the previous year.

(v) *Entitlement to disability benefits after entitlement to benefits payable on account of age.*—Under the law, a person who becomes entitled before age 65 to a benefit payable on account of old age may later, before he reaches age 65, become entitled to disability insurance benefits.

(vi) *Allocation of contribution income between OASI and DI trust funds.*—Under the law, an additional 0.2 percent of taxable wages and

0.15 percent of taxable self-employment income is allocated to the disability insurance trust fund, bringing the total allocation to 0.70 percent and 0.525 percent, respectively, beginning in 1966.

(e) *Benefits to certain persons at age 72 or over*

The new law liberalizes the eligibility requirements by providing a basic benefit of \$35 to certain elderly persons with a minimum of three quarters of coverage acquired at any time since the beginning of the program in 1937. To accomplish this, a new concept of "transitional insured status" is provided. Prior law required a minimum of six quarters of coverage in employment or self-employment.

(i) *Men and women workers.*—Under the "transitional insured status" provision a worker may qualify for benefits at age 72 if he has one quarter of coverage for each year that elapsed after 1950 and up to the year in which he reached age 65 (62 for women), with a minimum of three quarters. Those quarters may have been acquired at any time since the inception of the program in 1937. Wives of workers who qualify under this provision are eligible for benefits if they reach age 72 before 1969. For workers who reached age 65 (62 for women) after 1956, the quarters of coverage requirement merges with the regular minimum requirement of six quarters.

The following table illustrates the operation of the "transitional insured status" provision for workers.

*Transitional insured status requirements with respect to workers benefits*

Men		Women	
Age (in 1965)	Quarters of coverage required	Age (in 1965)	Quarters of coverage required
76 or over.....	3.	73 or over.....	3.
75.....	4.	72.....	4.
74.....	5.	71 <sup>1</sup> .....	5.
73 or younger.....	6 or more.	70 or younger.....	6 or more.

<sup>1</sup> Benefits will not be payable, however, until age 72.

(ii) *Widows.*—Any widow who attains age 71 in or before 1965, if her husband died or reached age 65 in 1954 or earlier, may get a widow's benefit when she is aged 72 or over if her husband had at least three quarters of coverage. Prior law required six quarters. If the husband of such a widow died or reached 65 in 1955, the requirement is four quarters. If he died or reached 65 in 1956, the requirement is five quarters. If he died or reached 65 in 1957 or later, the minimum requirement is six quarters or more, the same as prior law.

For widows reaching age 72 in 1967 and 1968, there is a "grading-in" of the quarters of coverage requirement; which is four or five quarters of coverage, respectively. Widows reaching age 72 in 1969 or after are subject to the requirements of regular law of six or more quarters of coverage.

The table below sets forth the requirements as to widows:

*Transitional insured status requirements with respect to widow's benefits*

Year of husband's death (or attainment of age 65, if earlier)	Quarters required for widow attaining age 72 in—		
	1966 or before	1967	1968
1954 or before.....	3.....	4.....	5.
1955.....	4.....	4.....	5.
1956.....	5.....	5.....	5.
1957 or after.....	6 or more.....	6 or more.....	6 or more.

(iii) *Basic benefits.*—Men and women workers who are eligible under the above-described provisions for workers will receive a basic benefit of \$35 a month. A wife who is aged 72 or over (and who attains that age before 1969) will receive one-half of this amount, \$17.50. No other dependents' basic benefits are provided under these provisions.

Widows receive \$35 a month under the above-described provision.

These provisions become effective September 1965, at which time an estimated 355,000 people may start receiving benefits.

*(f) Retirement test*

The law liberalizes the retirement test provision in prior law under which benefits are decreased in relation to a beneficiary's earnings over \$1,200 in a year. Under prior law, the first \$1,200 a year was fully exempted, and there was a \$1 reduction in benefits for each \$2 of annual earnings between \$1,200 and \$1,700 and for each \$1 of earnings thereafter. Under the new law, the first \$1,500 a year is fully exempted and there is a \$1 reduction in benefits for each \$2 of earnings between \$1,500 and \$2,700 and for each \$1 of earnings thereafter. In addition, the amount of earnings a beneficiary may have in a month and get full benefits for that month regardless of his annual earnings is raised from \$100 to \$125. These changes are effective for taxable years ending after 1965.

Also exempted are certain royalties received in or after the year in which a person reaches age 65, from copyrights and patents obtained before age 65, from being counted as earnings for purposes of the retirement test, effective for taxable years beginning after 1964.

For 1966, an estimated 750,000 persons—workers and dependents—either will receive more benefits under these provisions than they would receive under prior law, or will receive some benefits where they would receive no benefits under prior law.

*(g) Wife's and widow's benefits for divorced women*

The law authorizes payments of wife's or widow's benefits to the divorced wife of a retired, deceased, or disabled worker if she had been married to the worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by a court to make) a substantial contribution to her support when he became entitled to benefits, became disabled, or died. The law also provides that a wife's benefits will not terminate when the woman and her husband are divorced if the marriage has been in effect for 20 years. Provision is also made for the reestablishment of benefit rights for a divorced wife, a widow, or a surviving divorced wife who remarries and the subsequent marriage ends in divorce,

annulment, or in the death of the husband. These changes are effective as of September, 1965.

*(h) Continuation of widow's and widower's insurance benefits after remarriage*

Under prior law, a widow's and widower's benefits based on a deceased worker's social security earnings record generally stopped when the survivor remarried. The law provides that benefits will be payable to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit will be equal to 50 percent of the primary insurance amount of the deceased spouse (if that amount is higher than her wife's benefit as a result of the remarriage) rather than 82½ percent of that amount, which is payable to widows and widowers who are not remarried.

*(i) Adoption of child by retired worker*

The provisions relating to the payment of benefits to children who are adopted by old-age insurance beneficiaries are changed to require that, where the child is adopted after the worker becomes entitled to an old-age benefit, (1) the child must be living with the worker (or adoption proceedings have begun) in or before the month when application for old-age benefits is filed; (2) the child must be receiving one-half of his support for the entire year before the worker's application for benefits; and (3) the adoption must be completed within 2 years after the worker's entitlement.

*(j) Definition of child*

(i) A child will be paid benefits based on his father's earnings without regard to whether he has the status of a child under State inheritance laws if the father was supporting the child or had a legal obligation to do so. Under prior law, whether a child met the definition for the purpose of getting child's insurance benefits based on his father's earnings depended on the laws applied in determining the devolution of intestate personal property in the State in which the worker is domiciled. This provision is effective as of September 1965. It is estimated that 20,000 individuals (children and their mothers) will become immediately eligible for benefits under this provision.

(ii) Also an exception is provided so that child's benefits will not terminate if child is adopted by his brother or sister after death of worker. Under prior law benefits terminated unless he was adopted by his stepparent, grandparent, uncle, or aunt after death of worker on whose earnings record he was getting benefits.

## 2. COVERAGE CHANGES

The following coverage provisions were included:

*(a) Physicians and interns*

Self-employed physicians are covered for taxable years ending on or after December 31, 1965. Interns are covered beginning on January 1, 1966.

*(b) Farmers*

Provisions of prior law with respect to the coverage of farmers are amended to provide that farm operators whose annual gross earnings are \$2,400 or less (instead of \$1,800 or less as in prior law) can report

either their actual net earnings or 66% percent (as in prior law) of their gross earnings. Farmers whose annual gross earnings are over \$2,400 report their actual net earnings if over \$1,600, but if actual net earnings are less than \$1,600, they may instead report \$1,600.

(c) *Cash tips*

Cash tips received after 1965 by an employee in the course of his employment are covered as wages for social security and income-tax withholding purposes, except that employers are not required to pay the social security employer tax on the tips. However, for tips to be subject to withholding for either income tax or social security tax purposes, the tips must be paid in cash and must amount to \$20 or more a month. The tips still represent compensation even though less than \$20 a month or even though paid in other than cash, but are not, under either of these conditions, subject to withholding for income tax or social security tax purposes.

The employee is required to give his employer a written report of his tips within 10 days after the end of the month in which the tips are received (or at such other times as are provided by regulations): To the extent that unpaid wages due an employee and in the possession of the employer are insufficient to pay the employee social security tax due on the tips, the employee is permitted (but not required) to make available to the employer sufficient funds to pay the employee social security tax. To the extent that the employer does not have sufficient wage payments or funds turned over to him by the employee to offset the required withholding, he notifies the employee and the employee reports this amount to the Government directly.

The employer is required to withhold the employee social security tax only on tips reported to him within the specified time and for which he has sufficient funds of the employee out of which to pay the tax. He is liable for withholding income tax on only those tips that are reported to him within 10 days after the end of the month in which the tips were received, and then only to the extent that he can collect the tax (at or after the time the tips are reported to him and before the close of the calendar year in which the tips were received) from unpaid wages (not including tips), or from funds turned over to him for that purpose remaining after an amount equal to the amount due for the social security tax has been subtracted.

As indicated, these amendments apply with respect to tips received by employees in 1966 and subsequent years.

(d) *State and local government employees*

Several changes in the new law facilitate coverage in this area:

(i) Added Alaska as a State which can provide coverage for State and local employees under the split-system provision; also validated the past coverage of certain school districts employees in Alaska.

(ii) Reopened until July 1, 1967, a provision of law permitting the State of Maine to treat teaching and nonteaching employees actually in the same retirement system as though they were in separate retirement systems for social security coverage purposes.

(iii) Authorized the State of Iowa and the State of North Dakota to modify their coverage agreements to exclude from social security coverage service performed in any calendar quarter, including services already covered by a student in the employ of a school, college, or university if the remuneration for such service is less than \$50.

(iv) Authorized another opportunity, through 1966, for the election of coverage by State and local government retirement system members who originally did not choose coverage under the divided retirement system provision, under which current employees have a choice of coverage.

(v) Authorized California to modify its coverage agreement to extend coverage to certain hospital employees whose positions were inadvertently removed from a State or local government retirement system. The State will have until the end of January 1966 to take action under this provision.

*(e) Exemption of certain religious sects*

Members of certain religious sects who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of such sects may be exempt from the social security tax on self-employment income upon application accompanied by a waiver of benefits.

*(f) Nonprofit organizations*

Nonprofit organizations, and their employees who concur, may elect social security coverage effective retroactively for a period up to 5 years (rather than 1 year, as under prior law). Also, wage credit may be given for the earnings of certain employees of nonprofit organizations who were erroneously reported for social security purposes.

*(g) District of Columbia employees*

The law provides for social security coverage of certain employees of the District of Columbia (primarily substitute schoolteachers).

*(h) Ministers*

The law reopened until April 15, 1966, the period (which expired on April 15, 1965) during which ministers who have been in the ministry for at least 2 years may file waiver certificates electing social security coverage. Also social security credit may be obtained for the earnings of certain ministers which were reported but which could not be credited.

### 3. MISCELLANEOUS

*(a) Filing of proof*

The period of filing of proof of support for dependent husband's, widower's and parent's benefits, and for filing application for lump-sum death payments where good cause exists for failure to file within the initial 2-year period, is extended indefinitely.

*(b) Automatic recomputation of benefits*

Benefits of people on the rolls will be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year and that would increase his benefit amount. Under prior law various requirements had to be met in order to have benefits recomputed, including filing of an application and earnings of over \$1,200 a year after entitlement.

*(c) Military wage credits*

The former provision authorizing reimbursement of the trust funds out of general revenue for gratuitous social security wage credits for servicemen is revised so that such payments will be spread uniformly over the next 50 years.

*(d) Extension of life of applications*

The law liberalizes the requirement that an application for monthly insurance benefits be valid for only 3 months after the date of filing, and for disability benefits 3 months before the beginning of the waiting period. The new law allows an application to remain valid up until the time the Secretary makes a final decision on the application.

*(e) Authorization for one spouse to cash a joint check*

The Secretary is authorized to permit a surviving spouse to cash a benefit check issued jointly to a husband and wife if one of them dies before the check is negotiated; any overpayment resulting from the cashing of the joint check would be recovered.

*(f) Attorney's fees*

A provision is incorporated which permits a court that renders a judgment favorable to a claimant in an action arising under the social security program to set a reasonable fee (not in excess of 25 percent of past due benefits which become payable by reason of the judgment) for an attorney who successfully represented the claimant. The Secretary is permitted to certify payment of the fee to the attorney out of such past due benefits.

*(g) Waiver of 1-year marriage requirement*

The law provides an exception to the 1-year duration requirement as to social security benefits for any widow, wife, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child.

*(h) Social security records—deserting parents*

The new law provides that, under certain specified conditions, the address of a deserting parent of a child applying for or receiving public assistance will be given to a welfare agency or to a court through a welfare agency.

## 4. FINANCING OF SOCIAL SECURITY PROGRAMS

*Earnings base.*—The law provides an earnings base of \$6,600 effective in 1966. The earnings base was \$4,800.

The following are the tax rates for the old-age, survivors, and disability insurance system:

## OASDI TAX RATES

[In percent]

Years	Employer- employee rate (combined)	Self-em- ployed rate
1966.....	7.7	5.8
1967-68.....	7.8	5.9
1969-72.....	8.8	6.6
1973 and after.....	9.7	7.0

The allocation to the disability insurance trust fund is set at 0.70 percent of taxable wages and 0.525 of self-employment income. The figures under prior law were 0.50 and 0.375 percent, respectively.

5. NUMBER OF PEOPLE IMMEDIATELY AFFECTED BY OASDI CHANGES  
IN FIRST FULL YEAR, 1966

<i>Provision</i>	
7-percent benefit increase (\$4 minimum in primary benefits)-----	20,000,000
Reduced benefits for widows at age 60-----	185,000
Benefits for people aged 72 and over with limited periods in covered work-----	355,000
Improvements in benefits for children:	
Benefits for children to age 22 if in school-----	295,000
Broadened definition of "child"-----	20,000
Modifications in disability provisions:	
Change in definition-----	60,000
Liberalized requirements for benefits for the blind-----	7,000
Modification of earnings test-----	1,750,000

<sup>1</sup> Number affected in 1966; modification does not become effective until then.

## E. PUBLIC ASSISTANCE AMENDMENTS

### 1. INCREASED ASSISTANCE PAYMENTS

The Federal share of payments under all State public assistance programs is increased a little more than an average of \$2.50 a month for the needy aged, blind, and disabled and an average of about \$1.25 for needy children, effective January 1, 1966. This is brought about by revising the matching formula for the needy aged, blind, and disabled (and for the adult categories in title XVI) to provide a Federal share of \$31 out of the first \$37 (now twenty-nine thirty-fifths (29/35) of the first \$35) up to a maximum of \$75 (now \$70) per month per individual on an average basis. The matching formula is revised for aid to families with dependent children so as to provide a Federal share of five-sixths (5/6) of the first \$18 (now fourteen-seventeenths (14/17) of the first \$17) up to a maximum of \$32 (now \$30). A provision is included so that States will not receive additional Federal funds except to the extent they pass them on to individual recipients.

Effective January 1, 1966. Cost: About \$150 million a year.

### 2. TUBERCULAR AND MENTAL PATIENTS

The exclusion is removed from Federal matching in old-age assistance and medical assistance for the aged programs (and for combined program, title XVI) as to aged individuals who are patients in institutions for tuberculosis or mental diseases or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional Federal money. Provides that States will receive not more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs. Also removes restrictions as to Federal matching for needy blind and disabled who are tubercular or psychotic and are in general medical institutions. Effective January 1, 1966. Cost about \$75 million a year.

### 3. AID TO FAMILIES WITH DEPENDENT CHILDREN IN SCHOOL

A provision, optional with the States, allows them to continue making payments to dependent children who have attained age 18

but continue in school up to age 21. Prior law called for regular attendance at a high school or vocational school. This law extends this to attendance at a school, college, or university.

#### 4. PROTECTIVE PAYMENTS TO THIRD PERSONS

The law includes a provision for protective payments to third persons on behalf of recipients of old-age assistance, aid to the blind, aid to the permanently and totally disabled, and those on combined adult program (title XVI), unable to manage their money because of physical or mental incapacity. Effective January 1, 1966.

#### 5. INCOME EXEMPTIONS UNDER PUBLIC ASSISTANCE

##### (a) *Old-age assistance*

The earnings exemption under the old-age assistance program (and aged in combined program) is increased so that a State may, at its option, exempt the first \$20 (now \$10) and one-half of the next \$60 (now \$40) of a recipient's monthly earnings. Effective October 1, 1965. Cost: About \$1 million first year.

##### (b) *Aid to families with dependent children*

The law allows the State, at its option, to disregard up to \$150 per family per month of earned income of any dependent children under the age of 18 in the same home, but no child may have earnings of more than \$50 per month exempted. Effective July 1, 1965.

##### (c) *Aid to the permanently and totally disabled*

An exemption of earnings is added so that, at the option of the State, the first \$20 per month of earnings of recipients and one-half of the next \$60 could be exempted. In addition, any additional income and resources may be exempted as part of an approved plan to achieve self-support during the time the recipient was undergoing vocational rehabilitation. Effective October 1, 1965.

##### (d) *Income exemption for all public assistance programs*

States, at their option, are allowed to disregard not more than \$5 per month per recipient of any income in all five public assistance programs. Effective October 1, 1965.

##### (e) *Old-age, survivors, and disability insurance (retroactive increase)*

States are allowed to disregard so much of the OASDI benefit increase (including the children in school after 18 modification) as is attributable to its retroactive effective date.

##### (f) *Economic Opportunity Act earning exemption*

A grace period is provided for action by States that have not had regular legislative sessions, whose public assistance statutes now prevent them from disregarding earnings of recipients received under titles I and II of the Economic Opportunity Act.

##### (g) *Income exempt under another assistance program*

A provision is added so that any amount of income which is disregarded in determining eligibility for a person under one of the public assistance programs shall not be considered in determining the eligibility of another individual under any other public assistance program.

## 6. UNIFORM MATCHING

The law permits a State that has a medical assistance program under title XIX to claim Federal sharing in total expenditures for money payments under other titles, under the same formula used for determining the Federal share for medical assistance under title XIX.

## 7. DEFINITION OF MEDICAL ASSISTANCE FOR AGED

The definition of medical assistance for the aged is modified so as to allow Federal sharing as to old-age assistance recipients for the month they are admitted to or discharged from a medical institution.

## 8. JUDICIAL REVIEW OF STATE PLAN DENIALS

The law provides for judicial review of the denial of approval by the Secretary of Health, Education, and Welfare of State public assistance plans and of his action under such programs for noncompliance conditions in the Federal law.

## F. STATISTICAL DATA

TABLE 1.—Summary of 1st-year costs  
[In millions of dollars]

	Trust funds			General Treasury		
	House	Senate	Public law	House	Senate	Public law
<b>Health care programs:</b>						
Basic hospital insurance.....	2,190	2,403	2,210	275	295	290
Voluntary supplementary medical.....	1,600	1,600	600	600	600	600
MAA liberalization.....				200	200	200
<b>Total.....</b>	<b>2,790</b>	<b>3,003</b>	<b>2,810</b>	<b>1,075</b>	<b>1,095</b>	<b>1,090</b>
<b>OASDI:</b>						
7-percent benefit increase.....	1,430	1,470	1,470			
Child school benefit.....	195	195	195			
Broader definition of child.....		10	10			
Child disabled at 18 to 21.....		10				
Blind disability.....		120	5			
Reduced benefits at 60.....	165	590	165			
Transitional benefits at 72.....	140	140	140			
Disability definition.....	105	40	40			
Retirement test.....	65	590	295			
<b>Total.....</b>	<b>2,100</b>	<b>3,165</b>	<b>2,320</b>			
<b>Public assistance and child health:</b>						
Increase in formula.....				150	150	150
TB and mental exclusion.....				75	75	75
Coverage of MA.....					50	40
Maternal and child health.....				60	61	61
Miscellaneous.....				6	13	13
<b>Total.....</b>				<b>291</b>	<b>349</b>	<b>339</b>
<b>Income tax changes.....</b>				<b>-82</b>		<b>-97</b>
<b>Total, all programs.....</b>	<b>4,890</b>	<b>6,168</b>	<b>5,130</b>	<b>1,284</b>	<b>1,444</b>	<b>1,332</b>
Grand total, House.....			6,174			
Grand total, Senate.....			7,612			
Grand total, Public law.....			6,462			

<sup>1</sup> Contributions of participants.

TABLE 2.—Changes in actuarial balance of OASDI system, expressed in terms of estimated level-cost as percentage of taxable payroll

Item	OASI	DI	Total
Actuarial balance of previous system.....	+0.14	-0.13	+0.01
Earnings base increase to \$6,600.....	+ .51	+ .04	+ .55
Revised contribution schedule.....	+ .09	+ .20	+ .29
Extensions of coverage.....	+ .01	-----	+ .01
7-percent benefit increase.....	- .59	- .05	- .64
Earnings test liberalization.....	- .14	-----	- .14
Child's benefits to age 22 if in school.....	- .10	- .02	- .12
Reduced widow's benefits at age 60.....	-----	-----	-----
Disability definition revision.....	-----	- .01	- .01
Transitional insured status at age 72.....	- .01	-----	- .01
Broader definition of "child".....	- .01	-----	- .01
Total effect of changes.....	- .24	+ .16	- .08
Actuarial balance of bill.....	- .10	+ .03	- .07

TABLE 3.—Actuarial balance of HI system, expressed in terms of estimated level-cost as percentage of taxable payroll

	Level-cost (percent)
Hospital and extended care facility benefits.....	1.19
Outpatient diagnostic benefits.....	.01
Home health service benefits.....	.03
Total benefits.....	1.23
Contributions.....	1.23
Actuarial balance.....	0.00

Prepared by Robert J. Myers, Chief Actuary, Social Security Administration, Department of Health, Education, and Welfare, July 21, 1965.

TABLE 4.—Tax rate, tax base, and tax amount applicable to employers and employees (each) under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law—Old-age survivors, and disability insurance program, 1965-87 and after

Year	Tax rate employer and employee (each)		Tax base		Tax per employee with base wage under Public Law 89-97 <sup>1</sup>			
	Under prior law (percent)	Under Public Law 89-97 (percent)	Under prior law	Under Public Law 89-97	Amount of tax		Increase under Public Law 89-97	
					Under prior law	Under Public Law 89-97	Over prior law	Over 1965
1965.....	3.625	3.625	\$4,800	\$4,800	\$174	\$174.00	-----	-----
1966.....	4.125	3.850	4,800	6,600	198	254.10	\$56.10	\$80.10
1967.....	4.125	3.900	4,800	6,600	198	257.40	59.40	83.40
1968.....	4.625	3.900	4,800	6,600	222	257.40	35.40	83.40
1969-72.....	4.625	4.400	4,800	6,600	222	290.40	68.40	116.40
1973-75.....	4.625	4.850	4,800	6,600	222	320.10	98.10	146.10
1976-79.....	4.625	4.850	4,800	6,600	222	320.10	98.10	146.10
1980-86.....	4.625	4.850	4,800	6,600	222	320.10	98.10	146.10
1987 and after.....	4.625	4.850	4,800	6,600	222	320.10	98.10	146.10

<sup>1</sup> Employers pay same amount on behalf of such employees.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 5.—Tax rate, tax base, and tax amount applicable to self-employed persons under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law—old-age, survivors, and disability insurance program, 1965-87 and after

Year	Tax rate		Tax base		Tax per self-employed with base earnings under Public Law 89-97			
	Under prior law (percent)	Under Public Law 89-97 (percent)	Under prior law	Under Public Law 89-97	Amount of tax		Increase under Public Law 89-97	
					Under prior Law	Under Public Law 89-97	Over prior law	Over 1965
1965.....	5.4	5.4	\$4,800	\$4,800	\$259.20	\$259.20		
1966.....	6.2	5.8	4,800	6,600	297.60	382.80	\$85.20	\$123.60
1967.....	6.2	5.9	4,800	6,600	297.60	389.40	91.80	130.20
1968.....	6.9	5.9	4,800	6,600	331.20	389.40	58.20	130.20
1969-72.....	6.9	6.6	4,800	6,600	331.20	435.60	104.40	176.40
1973-75.....	6.9	7.0	4,800	6,600	331.20	462.00	130.80	202.80
1976-79.....	6.9	7.0	4,800	6,600	331.20	462.00	130.80	202.80
1980-86.....	6.9	7.0	4,800	6,600	331.20	462.00	130.80	202.80
1987 and after.....	6.9	7.0	4,800	6,600	331.20	462.00	130.80	202.80

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 6.—Tax rate, tax base, and tax amount applicable to employers, employees, and self-employed persons under the basic hospital insurance program of the Social Security Amendments of 1965 (Public Law 89-97), 1965-87 and after

Year	Tax on employer, employee, and self-employed (each)		
	Tax rate (percent)	Tax base	Tax amount <sup>1</sup>
1965.....			
1966.....	0.35	\$6,600	\$23.10
1967.....	.50	6,600	33.00
1968.....	.50	6,600	33.00
1969-72.....	.50	6,600	33.00
1973-75.....	.55	6,600	36.30
1976-79.....	.60	6,600	39.60
1980-86.....	.70	6,600	46.20
1987 and after.....	.80	6,600	52.80

<sup>1</sup> For each self-employed person and employee with earnings or wage equal to or in excess of the tax base : employers pay same amount on behalf of such employees.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 7.—Estimated aggregate taxes on employers, employees, and self-employed persons under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law—Old-age, survivors, and disability insurance program, 1965-72, 1975, 1980, 1985, 1990, 2000, and 2025, and basic hospital insurance program, 1965-75, 1980, 1985, and 1990

[In billions]

Year	Prior law			Public Law 89-97			
	Old-age and survivors insurance program	Disability insurance program	Total	Old age and survivors insurance program	Disability insurance program	Basic hospital insurance program	Total
1965.....	\$16.0	\$1.2	\$17.2	\$16.0	\$1.2	-----	\$17.2
1966.....	18.5	1.2	19.7	18.8	1.8	\$1.6	22.2
1967.....	19.4	1.3	20.7	10.7	2.0	2.8	25.5
1968.....	22.2	1.3	23.5	21.6	2.1	3.0	26.7
1969.....	23.3	1.3	24.6	25.0	2.2	3.1	30.3
1970.....	24.0	1.4	25.4	26.3	2.3	3.2	31.8
1971.....	24.6	1.4	26.0	27.2	2.4	3.3	32.9
1972.....	25.2	1.4	26.6	28.0	2.4	3.4	33.8
1973.....	(1)	(1)	(1)	(1)	(1)	3.9	(1)
1974.....	(1)	(1)	(1)	(1)	(1)	4.1	(1)
1975.....	<sup>2</sup> 24.6	<sup>2</sup> 1.4	<sup>2</sup> 26.0	<sup>2</sup> 28.8	<sup>2</sup> 2.2	4.3	(3)
1980.....	<sup>2</sup> 26.5	<sup>2</sup> 1.5	<sup>2</sup> 28.0	<sup>2</sup> 31.1	<sup>2</sup> 2.4	6.1	(3)
1985.....	<sup>2</sup> 28.3	<sup>2</sup> 1.6	<sup>2</sup> 29.9	<sup>2</sup> 33.2	<sup>2</sup> 2.6	7.0	(3)
1990.....	<sup>2</sup> 30.3	<sup>2</sup> 1.7	<sup>2</sup> 32.0	<sup>2</sup> 35.6	<sup>2</sup> 2.8	9.0	(3)
2000.....	<sup>2</sup> 35.2	<sup>2</sup> 2.0	<sup>2</sup> 37.2	<sup>2</sup> 41.3	<sup>2</sup> 3.2	(1)	(1)
2025.....	<sup>2</sup> 43.7	<sup>2</sup> 2.5	<sup>2</sup> 46.2	<sup>2</sup> 51.2	<sup>2</sup> 4.0	(1)	(1)

<sup>1</sup> Not available.<sup>2</sup> These are long-range estimates which assume level-earnings trends in the future; all other estimates are short-range estimates which assume increased earnings from year to year.<sup>3</sup> Since the constituents of these totals represent long-range and short-range estimates they are not combined here.

Source: Compiled by the Staff of the Joint Committee on Internal Revenue Taxation from data supplied by Social Security Administration.

TABLE 8.—Combined tax rate on employer and employee under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law—Old-age, survivors, and disability insurance program and basic hospital insurance program, 1965-87 and after

[In percent]

Year	Combined tax rate on employer and employee							
	Old-age, survivors, and disability insurance program		Basic hospital insurance program		Old-age, survivors, and disability insurance program and basic hospital insurance program			
	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Change under Public Law 89-97	
							Over prior law	Over 1965
1965.....	7.25	7.25	-----	-----	7.25	7.25	-----	-----
1966.....	8.25	7.70	-----	0.70	8.25	8.40	+0.15	+1.15
1967.....	8.25	7.80	-----	1.00	8.25	8.80	+ .55	+1.55
1968.....	9.25	7.80	-----	1.00	9.25	8.80	- .45	+1.55
1969-72.....	9.25	8.80	-----	1.00	9.25	9.80	+ .55	+2.55
1973-75.....	9.25	9.70	-----	1.10	9.25	10.80	+1.55	+3.55
1976-79.....	9.25	9.70	-----	1.20	9.25	10.90	+1.65	+3.65
1980-86.....	9.25	9.70	-----	1.40	9.25	11.10	+1.85	+3.85
1987 and after.....	9.25	9.70	-----	1.60	9.25	11.30	+2.05	+4.05

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 9.—Combined tax on basis of maximum wage base on employer and employee under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law—Old-age, survivors, and disability insurance program and basic hospital insurance program, 1965-87 and after

Year	Combined tax on employer and employee							
	Old-age, survivors, and disability insurance program		Basic hospital insurance program		Old-age, survivors, and disability insurance program and basic hospital insurance program			
	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Increase under Public Law 89-97	
							Over prior law	Over 1965
1965.....	\$348	\$348.00			\$348	\$348.00		
1966.....	396	508.20		\$46.20	396	554.40	\$158.40	\$206.40
1967.....	396	514.80		66.00	396	580.80	184.80	232.80
1968.....	444	514.80		66.00	444	580.80	136.80	232.80
1969-72.....	444	580.80		66.00	444	646.80	202.80	298.80
1973-75.....	444	640.20		72.60	444	712.80	268.80	364.80
1976-79.....	444	640.20		79.20	444	719.40	275.40	371.40
1980-86.....	444	640.20		82.40	444	732.60	288.60	384.60
1987 and after.....	444	640.20		105.60	444	745.80	301.80	397.80

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 10.—Federal shares under new title XIX—Medical assistance program (expanded Kerr-Mills)

The following is the Federal medical assistance percentage applicable Jan. 1, 1966-June 30, 1967:

State	Federal medical assistance percentage <sup>1</sup>	State	Federal medical assistance percentage <sup>1</sup>
Alabama.....	79.85	Montana.....	62.86
Alaska.....	50.00	Nebraska.....	60.39
Arizona.....	63.94	Nevada.....	50.00
Arkansas.....	81.67	New Hampshire.....	61.31
California.....	50.00	New Jersey.....	50.00
Colorado.....	53.08	New Mexico.....	70.73
Connecticut.....	50.00	New York.....	50.00
Delaware.....	50.00	North Carolina.....	75.58
District of Columbia.....	50.00	North Dakota.....	66.67
Florida.....	65.21	Ohio.....	52.33
Georgia.....	74.91	Oklahoma.....	70.32
Hawaii.....	52.97	Oregon.....	54.12
Idaho.....	70.73	Pennsylvania.....	54.38
Illinois.....	50.00	Rhode Island.....	56.13
Indiana.....	55.77	South Carolina.....	81.30
Iowa.....	60.39	South Dakota.....	71.05
Kansas.....	61.45	Tennessee.....	76.86
Kentucky.....	76.70	Texas.....	67.27
Louisiana.....	76.41	Utah.....	66.30
Maine.....	69.57	Vermont.....	68.44
Maryland.....	50.00	Virginia.....	66.96
Massachusetts.....	50.00	Washington.....	50.81
Michigan.....	50.31	West Virginia.....	74.27
Minnesota.....	60.46	Wisconsin.....	57.60
Mississippi.....	83.00	Wyoming.....	55.47
Missouri.....	53.90		

<sup>1</sup> Based on average per capita income for 1962, 1963, and 1964.

**COMMITTEE ON FINANCE  
UNITED STATES SENATE**  
*Harry Flood Byrd, Chairman*

**BRIEF SUMMARY OF MAJOR PROVISIONS OF AND  
DETAILED COMPARISON SHOWING CHANGES  
MADE IN EXISTING LAW BY H.R. 6675  
AS PASSED BY THE HOUSE  
OF REPRESENTATIVES**

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## BRIEF SUMMARY OF H.R. 6675, THE SOCIAL SECURITY AMENDMENTS OF 1965

### A. HEALTH INSURANCE AND MEDICAL CARE

The bill provides three programs for health insurance and medical care for the aged under the Social Security Act by establishing—

1. A *basic hospital insurance plan* providing inpatient services, related posthospital care (skilled nursing home and home health visits), and outpatient diagnostic services for individuals 65 or older who are eligible for social security or railroad retirement benefits. These benefits would be financed through a separate payroll tax and separate trust fund.

Also those basic and related benefits would be provided to currently aged people who are not social security or railroad retirement beneficiaries. They would be financed from general revenues.

*Effective date.*—Benefits would be first effective on July 1, 1966, except for services in extended care facilities which would be effective on January 1, 1967. (See p. 10.)

2. A *voluntary "supplementary" plan*, providing physicians' and other medical and health services financed through monthly premiums of \$3 initially by individuals 65 years or older (which would be deducted from the social security benefit of beneficiaries who elect participation), matched equally by Federal Government revenue contributions.

*Effective date.*—Benefits would be first effective beginning July 1, 1966. (See p. 12.)

The provision in the income tax law which limits medical expense deductions to amounts in excess of 3 percent of adjusted gross income (as well as the present limitation on medicine and drugs) for persons under 65 would be applied to persons 65 and over.

The bill also provides a special deduction, available to those who itemize their deductions, for one-half of any premiums paid for insurance of medical care expenses whether or not they have medical expenses in excess of the 3 percent floor, but this deduction may not exceed \$250. Also treats as medical care expenses (1) the prepayment before age 65 of insurance for medical care after age 65, and (2) the \$3 per month premium for supplemental health insurance under part B of title XVIII. (See p. 52.)

3. An *expanded Kerr-Mills medical care program*, for the needy and medically needy would combine all the vendor medical provisions for the aged, blind, disabled, and families with dependent children, now in five titles of the Social Security Act, under a uniform program (with an increase in the Federal share matching formula) in a single new title with certain prescribed Federal standards.

*Effective date.*—Matching under new title (XIX) will be available January 1, 1966. After June 30, 1967, no vendor medical care payments can be made under existing titles, and all medical payments must be under new title. (See p. 14.)

### B. CHILD HEALTH CARE PROGRAM AMENDMENTS

1. *Maternal and child health and crippled children authorization.*—The amount authorized for these programs over current authorizations would be

increased by \$5 million for fiscal 1966 and by \$10 million in each succeeding fiscal year as follows:

Fiscal year	Existing law	Under bill
1966.....	\$40,000,000	\$45,000,000
1967.....	40,000,000	50,000,000
1968.....	45,000,000	55,000,000
1969.....	45,000,000	55,000,000
1970 and after..... (See pp. 29-30.)	50,000,000	60,000,000

2. *Crippled children training personnel.*—Provides grants to institutions of higher learning for training professional personnel for health and related care for crippled children, particularly children who are mentally retarded or have multiple handicaps. Authorizes \$5 million for fiscal 1967, \$10 million for fiscal 1968, and \$17.5 million for each succeeding fiscal year. (See p. 30.)

3. *Health care for needy children.*—Authorizes the Secretary of Health, Education, and Welfare to carry out a 5-year program of special project grants to provide comprehensive health care and services for preschool or school-age children, particularly in areas with concentrations of low-income families. An appropriation of \$15 million is authorized for fiscal 1966; \$35 million for fiscal 1967, and an additional \$5 million for each succeeding year rising to \$50 million for fiscal 1970. (See p. 31.)

4. *Mental retardation planning.*—Authorizes grants totaling \$2,750,000 for each of 2 fiscal years (1966 and 1967) for the purpose of assisting States to implement and follow up on planning for treatment of mental retardation authorized under section 1701 of the Social Security Act. (See p. 32.)

### C. PUBLIC ASSISTANCE

1. *Increased assistance payments.*—The Federal share of payments under all State public assistance programs is increased a little more than an average of \$2.50 a month for the needy aged, blind and disabled and an average of about \$1.25 for needy children, effective January 1, 1966. This is brought about by revising the matching formula for the needy aged, blind, and disabled (and for the adult categories in title XVI) to provide a Federal share of \$31 out of the first \$37 (now twenty-nine thirty-fifths of the first \$35) with matching above this amount varying according to State per capita income up to a maximum of \$75 (now \$70) per month per individual on an average basis. The bill revises matching formula for aid to families with dependent children so as to provide a Federal share of five-sixths of the first \$18 (now fourteen-seventeenth of the first \$17) with matching above this amount varying according to State per capita income up to a maximum of \$32 (now \$30). A provision is included so that States will not receive additional Federal funds except to the extent they pass them on to individual recipients. (See p. 22.)

2. *Tubercular and mental patients.*—Removes exclusion from Federal matching in old-age assistance and medical assistance for the aged programs (and for combined program, title XVI) as to aged individuals who are patients in institutions for tuberculosis or mental diseases or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional Federal money. Provides that States will receive no more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs. Also removes restrictions as to Federal matching for needy blind and disabled who are tubercular or psychotic and are in general medical institutions. Effective January 1, 1966. (See p. 25.)

3. Adds a provision for protective payments to third persons on behalf of old-age assistance recipients (and recipients on combined title XVI program)

unable to manage their money because of physical or mental incapacity. Effective January 1, 1966. (See p. 27.)

4. Increases earnings exemption under old-age assistance programs (and aged in combined program) so that a State may, at its option, exempt the first \$20 (now \$10) and one-half of the next \$60 (now \$40) of a recipient's monthly earnings. Effective January 1, 1966. (See p. 25.)

5. Modifies definition of medical assistance for the aged so as to allow Federal sharing as to old-age assistance recipients for the month they are admitted to or discharged from a medical institution. Effective July 1, 1965. (See p. 27.)

Adds a provision which allows the States to disregard so much of the OASDI benefit increase and the extension of child's benefit as is attributable to its retroactive effective date. (See p. 25.)

7. Provides a grace period for action by States that have not had regular legislative sessions, whose statutes now prevent them from disregarding recipient earnings received under the Economic Opportunity Act. (See p. 27.)

8. Provides for judicial review of the denial of approval by the Secretary of Health, Education, and Welfare of State public assistance plans and amendments of plans, and other of his actions because of noncompliance of State with plan conditions prescribed by Federal law. (See p. 27.)

#### D. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

1. The benefit provisions of the Federal old-age, survivors, and disability insurance system are revised to—

(a) Increase benefits by 7 percent across the board with a \$4 minimum increase for a retired worker at 65. The minimum benefit would thus be \$44 (now \$40) and the new maximum \$135.90 (now \$127). Effective retroactively to January 1, 1965.

In the future, a first-step increase in the contribution and benefit base to \$5,600 (now \$4,800) beginning in calendar 1966 could produce a maximum worker's benefit of \$149.90 (now \$127); the second-step increase in the base to \$6,600, beginning in calendar 1971, could produce a possible maximum for the worker of \$167.90 a month.

The maximum amount of benefits payable to a family on the basis of a single earnings record would be related to the worker's average monthly wage at all earnings levels. (Under present law a \$254 limit applies at earnings levels of \$315 or more per month.) Under the bill the family maximum would be \$312 in 1966-70, increasing, beginning in 1971, to \$368. (See p. 47.)

(b) Continue benefits beyond the present limit of age 18 up to age 22 for certain children in full-time attendance at a public or accredited school. No mother's or wife's benefits would be payable for this period. Effective retroactively to January 1, 1965. (See p. 43.)

(c) Widows could receive benefits at age 60 provided they choose to accept actuarially reduced benefits to take account of the longer period over which they will be paid. Under present law full widow's benefits and actuarially reduced worker's and wife's benefits are payable at age 62. Effective for the second month after the month of enactment. (See p. 43.)

2. The definition and waiting period provisions of the disability insurance program are revised by—

(a) Eliminating the present requirement that a worker's disability must be expected to result in death or to be of long-continued and indefinite duration so that an insured worker would be eligible for disability benefits if he has been totally disabled throughout a continuous period of at least 6 calendar months. Effective for the second month after the month of enactment. (See p. 41.)

(b) Entitling a person under 65 who is receiving an old-age or other benefit to become entitled to a disability benefit. (See p. 41.)

(c) Reducing by 1 month the waiting period during which an individual must be under a disability prior to entitlement to benefit. Disability

benefits would be payable beginning with the last month of the 6-month waiting period rather than the first month after the 6-month waiting period as under existing law. This change would be applicable to all cases in which the last month of the waiting period occurs after the month of enactment. (See p. 42.)

Certain changes are also made in the provision terminating disability benefits and waiving subsequent waiting periods so as to make them more restrictive when applied to shorter term disabilities. (See p. 42.)

(d) Allocating an additional one-fourth of 1 percent of taxable wages and three-sixteenths of 1 percent of taxable self-employment income to the disability insurance trust fund, bringing the total allocation to three-fourths of 1 percent and nine-sixteenths of 1 percent, respectively. Effective in calendar 1966. (See p. 50.)

3. Liberalizes the eligibility requirements to provide a basic benefit of \$35 at age 72 or over to certain elderly persons with a minimum of three quarters of coverage (now six quarters) acquired at any time since 1937, using a new concept of "transitional insured" status. Certain wife's and widow's benefits would also be authorized on a similar basis. (See p. 49.)

4. Increases the amount an individual is permitted to earn without having deduction from benefits. Now, the first \$1,200 of earnings is exempted and \$1 deducted for each \$2 of earnings between \$1,200 and \$1,700 and \$1 for \$1 above \$1,700. The bill increases the \$1 for \$2 deduction ceiling from \$1,700 to \$2,400 and applies the \$1 for \$1 deduction to earnings above \$2,400. (See p. 50.)

Also exempts certain royalties (from copyrights or patents obtained before age 65) from being counted as earnings of individuals over 65 for purposes of this test effective as to taxable years beginning after 1964. (See p. 50.)

5. Authorizes payments of wife's and widow's benefits to the divorced wife aged 62 or over, if she had been married to the entitled worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by a court to make) a substantial contribution to her support when he became entitled to benefits, became disabled, or died.

Also provides that a wife's benefits would not terminate when the woman and her husband are divorced if the marriage has been in effect for 20 years, and for the reestablishment of benefit rights for a widow or a wife who remarries and the subsequent marriage is terminated by divorce having lasted less than 20 years. Effective for the second month following enactment. (See p. 44.)

6. Changes the provisions with respect to children adopted by beneficiaries to require that as to any adoption after the worker becomes entitled to an old-age benefit (1) the child be living with the worker (or adoption proceeding has begun) in or before the month when application for old-age benefits is filed; (2) the child be receiving one-half of his support for a year before the worker's entitlement; and (3) the adoption be completed within 2 years after the worker's entitlement. (See p. 44.)

7. Extends the coverage provisions to include—

(a) Self-employed doctors of medicine. (See p. 33.)

(b) Cash tips as reported by the employee—the employer to report same and also to withhold income tax. No liability on employer for tips that are not reported, nor where he does not have or is not given funds to cover employee's share of tax. (See p. 35.)

(c) Facilitates social security coverage of additional employees of State and local governments in Alaska and Kentucky, certain hospital employees in California, and certain employees of the District of Columbia. (See p. 37.)

(d) Provides coverage for certain employees of nonprofit organizations retroactively for up to 5 years (1 year under present law); also by permitting validation of certain erroneously reported wages. (See p. 39.)

(e) Exempts, for social security coverage and tax purposes, self-employment income of members of certain religious groups which are conscientiously opposed to public or private insurance; the groups have to have

been in existence since 1950 and make provision for the needs of their members (See p. 33.)

(f) Provides that farm operators whose annual gross earnings are \$2,400 or less (instead of \$1,800 or less as in existing law) can report either their actual net earnings or 66⅔ percent (as in present law) of their gross earnings. Farmers whose annual gross earnings are over \$2,400 would report their actual net earnings if over \$1,600, but if actual net earnings are less than \$1,600, they may instead report \$1,600. (Present law provides that farmers whose annual gross earnings are over \$1,800 report their actual net earnings if over \$1,200, but if actual net earnings are less than \$1,200, they may report \$1,200.) Effective for taxable years beginning after December 31, 1965. (See p.33.)

#### 8. *Miscellaneous.*—

(a) Provides that the benefits of people on the rolls would be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year that would increase his benefit amount. Existing law has various requirements, including filing of an application and earnings of over \$1,200 a year after entitlement. (See p. 46.)

(b) Replaces present provision authorizing reimbursement of trust funds out of general revenue for gratuitous social security wage credits for servicemen so that such payments will be spread over the next 50 years. (See p. 50.)

(c) Extends indefinitely the period of filing of proof of support for dependent husbands, widowers, and parent's benefits, and lump-sum death payments where good cause exists for failure to file within initial 2-year period. (See p.45.)

### E. SCOPE AND PERSONS AFFECTED

The scope of the protection provided is broadly as follows:

#### 1. *Health insurance and medical care for the needy*

(a) *Basic plan.*—It is estimated that approximately 17 million insured individuals and 2 million uninsured would qualify on July 1, 1966.

(b) *Voluntary supplementary plan.*—It is estimated that of the total eligible aged of 19 million, from 80 to 95 percent would participate, which would mean approximately 15.2 to 18 million individuals would be involved.

(c) *Medical assistance for needy.*—The expanded medical assistance (Kerr-Mills) program is estimated to provide new or increased medical assistance to about 8 million needy persons during an early year of operation. States could, in the future, provide aid to as many as twice this number who need help with medical costs.

#### 2. *Old-age, survivors, and disability insurance*

It is estimated that the number of persons affected immediately by changes in this title would be as follows:

<i>Provision</i>	<i>Number affected</i>
7-percent benefit increase (\$4 minimum in primary benefit)-----	20,000,000 persons.
Child's benefit to age 22 if in school-----	295,000 children.
Reduced age for widows-----	185,000 widows.
Reduction in eligibility requirement for certain persons aged 72 or over.	355,000 persons.
Liberalization of disability definition-----	155,000 workers and dependents.

#### 3. *Public assistance*

It is estimated that some 7.2 million persons will be eligible for increased cash payments under the Federal-State matching programs. Moreover, it is estimated that 130,000 aged persons in mental and tuberculosis hospitals will potentially be eligible for payments because of the removal of the exclusion of these types of institutions from matching under the public assistance programs.

## F. COST AND FINANCING

## 1. Health care plans

(a) *Basic plan.*—Benefits and administrative expenses under the basic plan would be about \$1.0 billion for the 6-month period in 1966 and about \$2.3 billion in 1967. Contribution income for those years would be about \$1.6 and \$2.6 billion, respectively. The costs for the uninsured (paid from general funds) would be about \$275 million per year for early years.

The level-premium (long-range) cost of the hospital insurance program is 1.23 percent of payroll broken down as follows:

	Percent
Hospital and extended care facility benefits-----	1.19
Posthospital home health-----	.03
Outpatient diagnostic-----	.01
	1.23

Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, would be earmarked in a separate Hospital Insurance Trust Fund established in the Treasury. The same contribution rate would apply equally to employers, employees, and self-employed persons and would be as follows:

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

The taxable earnings base for the health insurance tax would be \$5,600 a year for 1966 through 1970 and would thereafter be increased to \$6,600 a year. The level-equivalent of the contribution schedule is also 1.23 percent of payroll.

**Estimated progress of Hospital Insurance Trust Fund**

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
1966-----	\$1,578	\$982	<sup>1</sup> \$50	\$17	\$562
1967-----	2,601	2,192	66	20	925
1968-----	2,790	2,391	72	34	1,286
1969-----	2,879	2,607	78	45	1,525
1970-----	2,983	2,840	85	50	1,633
1971-----	3,327	3,055	92	55	1,868
1972-----	3,488	3,280	98	60	2,038
1973-----	3,929	3,516	105	68	2,414
1974-----	4,120	3,760	113	77	2,738
1975-----	4,267	4,018	121	84	2,950
1980-----	6,123	5,276	158	140	5,018
1985-----	7,038	6,823	205	236	7,681
1990-----	9,030	8,754	263	306	9,948

<sup>1</sup> Including administrative expenses incurred in 1965.

NOTE.—The transactions relating to the noninsured persons, the costs for whom is borne out of the general funds of the Treasury, are not shown in the above figures.

(b) *Voluntary supplementary plan.*—Costs of the voluntary supplementary plan would depend on how many of the aged enrolled.

If 80 percent of the eligible aged enrolled, benefit costs of the supplementary plan would be about \$195 to \$260 million in the last 6 months of 1966 and about \$765 million to \$1.02 billion in 1967. Premium income from enrollees for those years would be about \$275 and \$560 million, respectively. The matching Government contribution would equal the premiums.

If 95 percent of the eligible aged enrolled, benefit costs of the supplementary plan would be about \$230 to \$310 million in 1966 and about \$905 million to \$1.22 billion in 1967. Premium income from enrollees for those

years would be about \$325 and \$665 million, respectively. The Government contribution would equal the premiums.

**Estimated progress of Supplementary Health Insurance Benefits Trust Fund**

[In millions]

Calendar year	Contributions		Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
	Participants	Government				
Low-cost estimate, 80-percent participation						
1966 <sup>1</sup> -----	\$275	\$275	\$195	\$65	\$5	\$295
1967-----	560	560	765	75	15	590
Low-cost estimate, 95-percent participation						
1966 <sup>1</sup> -----	\$325	\$325	\$230	\$80	\$5	\$345
1967-----	665	665	905	90	20	700
High-cost estimate, 80-percent participation						
1966 <sup>1</sup> -----	\$275	\$275	\$260	\$85	\$5	\$210
1967-----	560	560	1,025	95	10	220
High-cost estimate, 95-percent participation						
1966 <sup>1</sup> -----	\$325	\$325	\$310	\$100	\$5	\$245
1967-----	665	665	1,220	110	10	255

<sup>1</sup> Contributions would be collected only during the last 6 months of 1966, and benefit payments would likewise be payable only during that period. Administrative expenses shown include both those for the full year 1966 and such expenses as incurred in 1965.

NOTE.—Not included above is the advance appropriation from general revenues that is to provide a contingency reserve during fiscal year 1966-67 (to be used only if needed and to be repayable).

(c) *Kerr-Mills medical assistance plan extension*.—It is estimated that the new program will increase the Federal Government's general revenue contribution about \$200 million in a full year of operation over that in the programs operated under existing law.

2. *OASDI changes*

(a) *Cost in dollars in 1966 and long-range costs in percent of payroll*

Provision	Dollars	Percent of payroll
7-percent benefit increase (\$4 minimum in primary benefit)-----	1,430,000,000	-0.64
Child's benefit to age 22 if in school-----	195,000,000	-.12
Reduced age for widows-----	<sup>1</sup> 165,000,000	-.00
Reduction in eligibility requirement for certain persons aged 72 or over-----	140,000,000	-.01
Liberalization of disability definition-----	105,000,000	-.05
Earnings test liberalization-----	65,000,000	-.04
Coverage extensions-----		+.03
Earnings base increases-----		+.52
Revised contribution schedule-----		+.22

<sup>1</sup> No long-range charge to system because of actuarial reduction.

(b) *Revised OASDI contribution schedule.*—The contribution schedule for old-age, survivors, and disability insurance is lower than that under present law by 0.25 percent in the combined employer-employee rate in 1966-67, is lower by 1.25 percent in 1968, is lower by 0.45 percent in 1969-72, and is higher by 0.35 percent in 1973 and thereafter. The maximum earnings base to which these tax rates are applied is \$5,600 per year for 1966-70 and \$6,600 for 1971 and after as compared with \$4,800 under present law. These tax schedules are as follows:

[Percent]

Calendar year	Present law		H. R. 6675	
	Employee rate (same for employer)	Self-employed rate	Employee rate (same for employer)	Self-employed rate
1965.....	3.625	5.4	3.625	5.4
1966-67.....	4.125	6.2	4.0	6.0
1968.....	4.625	6.9	4.0	6.0
1969-72.....	4.625	6.9	4.4	6.6
1973 and after.....	4.625	6.9	4.8	7.0

3. *Combined tax rate on employer and employee—Old-age, survivors, and disability insurance tax and basic hospital insurance tax*

Year	Combined tax rate on employer and employee			
	Old-age-survivors, and disability insurance program		Basic hospital insurance program under H.R. 6675	Total combined tax rate under H.R. 6675
	Under present law	Under H.R. 6675		
1965.....	7.25	7.25	-----	7.25
1966.....	8.25	8.00	0.70	8.70
1967.....	8.25	8.00	1.00	9.00
1968.....	9.25	8.00	1.00	9.00
1969-70.....	9.25	8.80	1.00	9.80
1971-72.....	9.25	8.80	1.00	9.80
1973-75.....	9.25	9.60	1.10	10.70
1976-79.....	9.25	9.60	1.20	10.80
1980-86.....	9.25	9.60	1.40	11.00
1987 and after.....	9.25	9.60	1.60	11.20

4. *Public assistance changes and child health changes*

[In millions of dollars]

Costs	Fiscal year 1966	Annual rate
Maternal and child health, crippled children, and special project grants.....	25	60
Mental retardation projects.....	2.75	2.75
Mental and tuberculosis.....	38	75
Medical assistance for the aged definition.....	2	2
Formula changes.....	75	150
Protective payments.....	( <sup>1</sup> )	( <sup>1</sup> )
Income exemption (old-age assistance).....	.5	1
Total.....	143.25	290.75

<sup>1</sup> No cost.

5. Summary of full year benefit costs, number of persons affected, and effective date of items with cost importance in H.R. 6675

Item	Trust fund	General Treasury	Number of persons affected	Effective date
<b>HEALTH CARE PROGRAMS (1967)</b>				
	<i>Millions</i>	<i>Millions</i>		
1. Basic hospital.....	\$2, 190	\$275	17,000,000 insured, 2,000,000 uninsured.	July 1966.
2. Voluntary supplementary.....	-----	<sup>1</sup> 600	16,700,000 estimated. <sup>1</sup>	Do.
3. MAA liberalization.....	-----	200	8,000,000.....	January 1966.
Health care total.....	2, 190	1, 075		
<b>OASDI AMENDMENTS (1966)</b>				
7 percent benefit increase.....	1, 430	-----	20,000,000.....	January 1965 (retroactive).
Child's benefit to age 22.....	195	-----	295,000 children.....	Do.
Reduced age for widows.....	( <sup>2</sup> )	-----	185,000 widows.....	2d month after month of enactment.
Special benefits at age 72.....	140	-----	355,000 aged.....	Same as above.
Disability definition.....	105	-----	155,000 workers and dependents.	Do.
Retirement test.....	65	-----	No estimate available.	Taxable years ending after 1965.
OASDI total.....	1, 935	-----		
<b>PUBLIC ASSISTANCE AND CHILD HEALTH (1966)</b>				
Increase in formula.....	-----	150	7,200,000.....	January 1966.
TB and mental exclusion.....	-----	75	100,000 to 150,000.....	Do.
Maternal and child health, crippled children, special project grants.....	-----	60	No estimate available.	Fiscal 1966.
OAA income exemption.....	-----	1	do.....	Jan. 1, 1966.
MAA definition.....	-----	2	do.....	July 1, 1965.
Mental retardation projects.....	-----	3	do.....	Fiscal 1966.
Public assistance total.....	-----	291	-----	
Grand total payroll insurance.....	4, 125	-----		
Grand total general revenue.....	-----	1, 366		

<sup>1</sup> Based on an averaging of low and high cost estimates, and estimates of participation (87½ percent). Total benefit expenditure would be about \$1 billion, with participants contributing \$600,000,000.

<sup>2</sup> See note.

NOTE.—1st year benefit expenditures not reflected in cost table: \$165,000,000 for widows benefit, 1st year—no long-term cost; \$600,000,000 in individual contributions for voluntary supplemental health plan.

**COMPARISON SHOWING EXISTING LAW AND CHANGES  
MADE BY H. R. 6675**

**HEALTH INSURANCE AND MEDICAL CARE FOR THE AGED**

**I. HEALTH INSURANCE FOR THE AGED**

The bill would add a new title XVIII to the Social Security Act establishing two related health insurance programs for persons 65 or over: (1) in part A a basic payroll tax plan providing protection against the costs of hospital and related posthospital care; and (2) in part B a voluntary supplementary plan providing physicians' services and other medical and health services financed by individual contributions and by Federal general revenues.

**A. BASIC HOSPITAL PLAN**

**No Provision in Existing Law of the Following Nature**

**1. Benefits**

The services for which payment would be made under the basic plan include—

(1) Inpatient hospital services for up to 60 days in each spell of illness with the patient paying initially a \$40 deductible amount; hospital services would include all those ordinarily furnished by a hospital for its inpatients; however, payment would not be made for private duty nursing or for the hospital services of physicians except services provided by interns or residents in training under approved teaching programs.

(2) Posthospital extended care (in a facility having an arrangement with a hospital for the timely transfer of patients and for furnishing medical information about patients) after the patient is transferred from a hospital (after at least a 3-day stay) for up to 20 days in each spell of illness; 2 additional days will be added to the 20 days for each day that the person's hospital stay was less than 60 days (up to a maximum of 80 additional days)—the overall maximum for posthospital extended care could thus be 100 days in each spell of illness.

(3) Outpatient diagnostic services with a \$20 deductible for each diagnostic study (that is for diagnostic services furnished to him by the same hospital during a 20-day period); such deductible to be credited against the inpatient hospital deductible (\$40) if hospitalization (in the same hospital) follows within 20 days.

(4) Posthospital home health services for up to 100 visits, after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness. Such a person must be in the care of a physician and under a plan established by a physician within 14 days of discharge calling for such services. These services would include intermittent nursing care, therapy, and the part-time services of a home health aide. The patient must be homebound, except that when equipment is used the individual could be taken to a hospital or extended care facility or rehabilitation center to receive some of these covered home health services in order to get the advantage of the necessary equipment.

No service would be 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 would be 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 would be increased if necessary to keep pace with increases in hospital costs, but no such increase would be made before 1969. Increases in the hospital deductible will be made only when a \$5 change is called for and the outpatient deductible will change in \$2.50 steps.

## 2. Effective dates

Benefits would be first effective on July 1, 1966, for all but extended care facilities, which would be effective on January 1, 1967.

## 3. Eligibility

(a) All persons who—

(1) are age 65 or over; and

(2) are eligible to receive (or receiving) social security or railroad retirement benefits.

(b) All persons not insured under social security or railroad retirement who either—

(1) have reached age 65 before 1968; or

(2) have reached age 65 after 1967 if they have three quarters of coverage for each year elapsing after 1965 and before the year they reach age 65.

The operation of this transitional provision is illustrated by the following table:

**Quarters of coverage required for OASI cash benefits as a retired worker as compared to hospital insurance**

Year attains age 65	Men		Women	
	OASI	Hospital insurance	OASI	Hospital insurance
1967.....	6-16	0	6-13	0
1968.....	17	6	14	6
1969.....	18	9	15	9
1970.....	19	12	16	12
1971.....	20	15	17	15
1972.....	21	18	18	(1)
1973.....	22	21	-----	-----
1974.....	23	(1)	-----	-----

<sup>1</sup> Same as OASI.

Excluded from (b) would be nonresidents or resident aliens with less than 10 years in the United States, members of certain subversive organizations, persons convicted of certain subversive crimes, and persons eligible for benefits (whether or not they had actually elected benefits) under the Federal Employees Health Benefits Act of 1959 (Government employees who retired prior to the effective date of this legislation (July 1, 1960) would be eligible under the transitional provision).

## 4. Basis of reimbursement

Payment of bills under the basic plan would be made to the providers of service on the basis of the "reasonable cost" incurred in providing care for beneficiaries.

## 5. Administration

Basic responsibility for administration would rest with the Secretary of Health, Education, and Welfare. The Secretary would use appropriate Stat agencies and private organizations (nominated by providers of service) to

assist in the administration of the program. Provision is made for the establishment of an Advisory Council which would advise the Secretary on policy matters in connection with administration.

#### 6. *Financing*

Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, would be earmarked in a separate Hospital Insurance Trust Fund established in the Treasury. Railroad workers and employers would be subject to the tax. The same contribution rate would apply equally to employers, employees, and self-employed persons, and would be as follows:

	<i>Percent</i>
1966-----	0.35
1967-72-----	.50
1973-75-----	.55
1976-79-----	.60
1980-86-----	.70
1987 and thereafter-----	.80

The taxable earnings base for the hospital insurance tax would be \$5,600 a year for 1966 through 1970 and would thereafter be increased to \$6,600 a year.

The cost of providing basic hospital and related benefits to people who are not social security or railroad retirement beneficiaries would be paid from general funds of the Treasury. An authorization of appropriation is included to place the trust fund in the same place it would have been if benefits had not been paid to the uninsured individuals.

#### B. VOLUNTARY SUPPLEMENTARY PLAN

##### No Provisions in Existing Law of the Following Nature

Individuals who enrolled initially would pay premiums of \$3 a month (deducted, where possible, from social security and railroad retirement benefits). The Government would match this premium with \$3 paid from general funds.

1. *Benefits.*—The voluntary supplementary insurance plan would cover physician's services, home health services, hospital services in psychiatric institutions, and other medical and health services in and out of medical institutions.

There would be an annual deductible of \$50. Then the plan would cover 80 percent of the patient's bill (above the deductible) for the following services:

- (1) Physicians' and surgeons' services, whether furnished in a hospital, clinic, office, or in the home or elsewhere;
- (2) Hospital care for 60 days in a spell of illness in a mental hospital (180-day lifetime maximum);
- (3) Home health services (without regard to hospitalization) for up to 100 visits during each calendar year;
- (4) Additional medical and health services, whether provided in or out of a medical institution, including the following:
  - (a) Diagnostic X-ray and laboratory tests, electrocardiograms, basal metabolism readings, electroencephalograms, and other diagnostic tests;
  - (b) X-ray, radium, and radioactive isotope therapy;
  - (c) Ambulance services (under limited conditions); and
  - (d) 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) which replace all or part of an internal body organ; braces and artificial legs, arms, eyes, etc.

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

2. *Effective date*

Benefits will be effective beginning July 1, 1966.

3. *Eligibility and payment of premiums*

All persons 65 or over (whether or not they are social security or railroad retirement beneficiaries) who are residents of the United States and either citizens or aliens admitted for permanent residence.

4. *Enrollment*

Persons aged 65 or over before January 1, 1966, will have an opportunity to enroll in an enrollment period which begins on the first day of the second month after enactment and ends March 31, 1966.

Persons attaining age 65 subsequent to December 31, 1965, will have enrollment periods of 7 months beginning 3 months before attaining 65.

In the future, general enrollment periods will be from October to December 31, of 1967, and each second year thereafter.

No person may enroll more than 3 years after close of first enrollment period in which he could have enrolled.

Coverage may be terminated (1) by the individual filing notice during enrollment period, or (2) by the Government, for nonpayment of premiums after a grace period. There will be only one chance to reenroll for persons who are in the plan but drop out, and it must be done within 3 years of termination of previous enrollment.

A State would be able to supply the supplementary benefits to its public assistance recipients who are receiving cash benefits if it chooses to do so.

5. *Administration by carriers: Basis for reimbursement*

The Secretary of Health, Education, and Welfare shall, to the extent possible, contract with carriers to carry out the major administrative functions relating to the medical aspects of the program such as determining rates of payments under the program, holding and disbursing funds for benefits payments, and determining compliance and assisting in utilization review. No contract is to be entered into by the Secretary unless he finds that the carrier will perform its obligations under the contract efficiently and effectively and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent. The contract must provide that the carrier take necessary action to see that where payments are on a cost basis (to institutional providers of service), the cost is reasonable cost. Correspondingly, where payments are on a charge basis (to physicians or others furnishing non-institutional services), the carrier must see that such charge will be reasonable and not higher than the charge applicable, for a comparable service and under comparable circumstances, to the other policyholders and subscribers of the carrier. Payment by the carrier for physicians' services will be made on the basis of a receipted bill, or on the basis of an assignment under the terms of which the reasonable charge will be the full charge for the service.

6. *Financing*

Aged persons who enroll in the voluntary plan would pay monthly premiums of \$3 to be supplemented by an equal amount from Federal general revenues. Premium rates for enrolled persons (and correspondingly the matching Government contribution) would be increased from time to time if medical costs rise, but not more often than once every 2 years. The first such possible readjustment could be made January 1968. The premium rate for a person who enrolls after the first period when enrollment was open to him would be increased by 10 percent for each full year he stayed out of the program. It would also be increased for any period that he had terminated his coverage.

To provide an operating fund at the beginning of the plan, and to establish a temporary contingency reserve, a Government appropriation would be available (on a repayable basis) equal to \$18 per aged person estimated to be eligible in July 1966 when the plan goes into effect.

The individual and Government contributions would be placed in a separate trust fund for the supplementary plan. All benefit and administrative expenses would be paid from this fund.

COMPARISON SHOWING EXISTING LAW AND CHANGES MADE BY H.R. 6675

C. EXTENSION OF KERR-MILLS PROGRAM

Item	Existing law	H.R. 6675
<p>1. Brief summary-----</p>	<p>Permits States to include in their plans under title I a program of Medical Assistance for the Aged (MAA); that is, to provide medical vendor payments (payments directly to the suppliers of medical services) for aged persons who are not Old-Age Assistance recipients, but but whose income and resources are insufficient to meet the costs of necessary medical services. The State plan for medical assistance for the aged may specify medical services of broad scope and duration provided that both institutional (hospitals, etc.) and noninstitutional (outpatient clinics, physicians, etc.) services are included.</p> <p>There is no dollar ceiling, the overall amount of Federal participation is governed by the extent of the State programs. The Federal share varies from 50 percent (for States with per capita income equal to or above the national average) up to 80 percent for lower per capita income States.</p> <p>(There are various formulas for vendor medical payments on behalf of persons on Old-Age Assistance (title I), Aid to the Blind (title X), Aid to Families with Dependent Children (title IV), Aid to the Permanently and Totally Disabled (title XIV) and the consolidated program for the aged, blind, and disabled (title XVI).)</p>	<p>Replaces MAA with a new program (title XIX) designed like MAA to give vendor payment medical assistance to the aged who are medically indigent but also covers recipients of Old-Age Assistance (OAA) as well as recipients of Aid to the Blind, the Permanently and Totally Disabled, Needy Families with Dependent Children and the consolidated program for the aged, blind, and disabled. The amount, duration, and scope of benefits must be the same for the different categories of cash assistance recipients who receive vendor payments, under the new combined program.</p> <p>Inclusion of the medically indigent aged would be optional with the States but if they are included, comparable groups of blind, disabled, and parents and needy children must also be included if they need help in meeting necessary medical costs. The amount and scope of benefits for the medically indigent cannot be greater than that of recipients on the basic maintenance programs.</p> <p>Certain changes are made in State plan requirements relating to the evaluation of income and resources for eligibility purposes, the imposition of deductibles, the payment of deductibles under the basic hospital plan or the payment of deductibles and co-insurance under the voluntary supplementary plan, and granting the States authority to impose enrollment fees or charges on individuals if they are reasonably related to the recipient's income (or his income and resources).</p> <p>Five specific health services must be provided by June 30, 1967.</p> <p>The Federal Government would continue to participate in medical vendor payments in MAA and OAA and other public assistance programs, until the new program is in operation or through June 30, 1967, whichever occurs earlier.</p> <p>The matching for the new program would follow that of MAA in that there would be no dollar ceiling. However, the Federal share would vary from 50 percent to 83 percent with States at the national average receiving 55 percent. For a specified period, any State that does not reduce its expenditures would be assured at least a 5-percent increase in Federal participation in medical care expenditures.</p>

2. Medical assistance for the aged:

(a) Eligibility for assistance-----

To be eligible an individual—

- (1) Must have attained age 65;
- (2) Must not be a recipient of old-age assistance;

(3) Must have income and resources, as determined by the State, insufficient to meet all of the cost of the medical services outlined below. The State plan must provide reasonable standards, consistent with the objectives of the program, for determining eligibility and the extent of assistance.

(b) Scope of benefits-----

The State plan for Medical Assistance for the Aged may specify medical services of any scope and duration, provided that both institutional and noninstitutional services are included. Federal participation is restricted to vendor medical payments: i.e., payments made by the States directly to the doctor, hospital, etc., providing medical services on behalf of the recipient.

The Federal Government shares in the expense of providing the following kinds of medical services:

- (1) Inpatient hospital services;
- (2) Skilled nursing home services;
- (3) Physicians' services;
- (4) Outpatient hospital or clinic services;
- (5) Home health care services;
- (6) Private duty nursing services;
- (7) Physical therapy and related services;
- (8) Dental services;
- (9) Laboratory and X-ray services;
- (10) Prescribed drugs, eyeglasses, dentures, and prosthetic devices;
- (11) Diagnostic, screening, and preventive services; and
- (12) Any other medical care or remedial care recognized under State law.

The Federal Government does not share in the expense of providing medical services to inmates of public institutions (other than medical institutions), to patients in mental or tuberculosis institutions or to patients in medical institutions as a result of a diagnosis of tuberculosis or psychosis after 42 days of care.

Effective January 1, 1966. Existing medical vendor provisions expire on July 1, 1967.

Medical Assistance for Aged program as such will be inoperative by June 30, 1967, or by adoption of new combined medical assistance program, but the MAA group of aged would be governed by the same eligibility standards with the following modifications:

- (1) Same as existing law.
- (2) No longer applicable to recipients of Old-Age Assistance since they will be eligible under new program.
- (3) Same but State must provide flexible income test which takes into account medical expenses (including health insurance premiums). (See also State plan requirements, pp. 17-18, items E(1) and E(5)).

Essentially the same, except after July 1, 1967, benefits for new medical program *must* include at least following five services:

- (1) Inpatient hospital services;
- (2) Outpatient hospital services;
- (3) Other laboratory and x-ray services;
- (4) Skilled nursing home services;
- (5) Physician's services whether furnished in the office, the patient's home, a hospital, a skilled nursing home or elsewhere.

Other services are optional and are the same as authorized under existing law with the following exceptions:

- (10) Modified so eyeglasses will be prescribed by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select.
- (12) Modifies provision so that medical care or remedial care recognized under State law, either has to be specified by the Secretary or is furnished by licensed practitioners within the scope of their practice as defined by State law.

Removes exclusion from Federal matching as to aged individuals who are patients in institutions for tuberculosis or mental diseases, or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional Federal money. Provides that States will receive no more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs.

COMPARISON SHOWING EXISTING LAW AND CHANGES MADE BY H.R. 6675—Continued

C. EXTENSION OF KERR-MILLS PROGRAM—continued

Item	Existing law	H.R. 6675																																																																																																																																																
2. Medical assistance for the aged—Con. (c) Matching formula: (1) Federal share-----	<p data-bbox="657 365 1230 537">Federal payments reimburse the States for a portion of their expenditures under approved plans for medical assistance for the aged according to an equalization formula which ranges from 50 to 80 percent depending upon the per capita income of the States as related to the national per capita income. States at or above national average get a 50 percent Federal share.</p> <p data-bbox="730 558 1157 605"><i>Federal medical percentages applicable for July 1, 1963, through June 30, 1965</i></p> <table data-bbox="657 624 1230 1395"> <thead> <tr> <th>State:</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Alabama.....</td><td>78.29</td></tr> <tr><td>Alaska.....</td><td>50.00</td></tr> <tr><td>Arizona.....</td><td>58.75</td></tr> <tr><td>Arkansas.....</td><td>80.00</td></tr> <tr><td>California.....</td><td>50.00</td></tr> <tr><td>Colorado.....</td><td>50.00</td></tr> <tr><td>Connecticut.....</td><td>50.00</td></tr> <tr><td>Delaware.....</td><td>50.00</td></tr> <tr><td>District of Columbia.....</td><td>50.00</td></tr> <tr><td>Florida.....</td><td>60.69</td></tr> <tr><td>Georgia.....</td><td>73.69</td></tr> <tr><td>Guam.....</td><td>50.00</td></tr> <tr><td>Hawaii.....</td><td>50.00</td></tr> <tr><td>Idaho.....</td><td>67.43</td></tr> <tr><td>Illinois.....</td><td>50.00</td></tr> <tr><td>Indiana.....</td><td>52.06</td></tr> <tr><td>Iowa.....</td><td>57.63</td></tr> <tr><td>Kansas.....</td><td>56.63</td></tr> <tr><td>Kentucky.....</td><td>75.27</td></tr> <tr><td>Louisiana.....</td><td>73.46</td></tr> <tr><td>Maine.....</td><td>65.65</td></tr> <tr><td>Maryland.....</td><td>50.00</td></tr> <tr><td>Massachusetts.....</td><td>50.00</td></tr> <tr><td>Michigan.....</td><td>50.00</td></tr> <tr><td>Minnesota.....</td><td>56.42</td></tr> <tr><td>Mississippi.....</td><td>80.00</td></tr> <tr><td>Missouri.....</td><td>50.45</td></tr> <tr><td>Montana.....</td><td>59.69</td></tr> <tr><td>Nebraska.....</td><td>55.10</td></tr> <tr><td>Nevada.....</td><td>50.00</td></tr> <tr><td>New Hampshire.....</td><td>56.38</td></tr> <tr><td>New Jersey.....</td><td>50.00</td></tr> <tr><td>New Mexico.....</td><td>66.55</td></tr> <tr><td>New York.....</td><td>50.00</td></tr> <tr><td>North Carolina.....</td><td>74.99</td></tr> </tbody> </table>	State:	Percentage	Alabama.....	78.29	Alaska.....	50.00	Arizona.....	58.75	Arkansas.....	80.00	California.....	50.00	Colorado.....	50.00	Connecticut.....	50.00	Delaware.....	50.00	District of Columbia.....	50.00	Florida.....	60.69	Georgia.....	73.69	Guam.....	50.00	Hawaii.....	50.00	Idaho.....	67.43	Illinois.....	50.00	Indiana.....	52.06	Iowa.....	57.63	Kansas.....	56.63	Kentucky.....	75.27	Louisiana.....	73.46	Maine.....	65.65	Maryland.....	50.00	Massachusetts.....	50.00	Michigan.....	50.00	Minnesota.....	56.42	Mississippi.....	80.00	Missouri.....	50.45	Montana.....	59.69	Nebraska.....	55.10	Nevada.....	50.00	New Hampshire.....	56.38	New Jersey.....	50.00	New Mexico.....	66.55	New York.....	50.00	North Carolina.....	74.99	<p data-bbox="1255 365 1839 605">Under matching formula for new medical program Federal payments reimburse the States for a portion of their expenditures according to an equalization formula ranging from 50 to 83 percent, depending upon the per capita income of the State as it is related to the national per capita income. Federal sharing for States at the national average would be 55 percent; for most States above the national average, sharing would be 50 percent. 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North Dakota	73.03
Ohio	50.00
Oklahoma	65.65
Oregon	50.00
Pennsylvania	50.00
Puerto Rico	50.00
Rhode Island	50.90
South Carolina	80.00
South Dakota	68.87
Tennessee	75.53
Texas	61.45
Utah	62.28
Vermont	64.75
Virgin Islands	50.00
Virginia	65.05
Washington	50.00
West Virginia	71.76
Wisconsin	52.50
Wyoming	50.00

(27 F.R. 9230)

75 percent Federal matching is authorized for certain rehabilitation services for aged recipients and for the training of welfare personnel.

The Federal Government pays 50 percent of other administrative costs.

(2) Pass along provision---

No provision in existing law to insure that public assistance recipients receive higher payments because of legislation liberalizing the Federal matching formula.

(d) State plan requirements-----

In order to be eligible for Federal participation, the State must provide medical assistance for the aged according to a plan submitted to the Secretary of Health, Education, and Welfare, and approved by him, which meets the requirements set out in the law. The State plan provisions are generally the same as those required for the other public assistance programs with the following exceptions:

A State plan—

(a) must not require a premium, enrollment fee, or similar charge as a condition of eligibility;

North Dakota	75.73
Ohio	50.76
Oklahoma	69.09
Oregon	54.22
Pennsylvania	54.02
Puerto Rico	55.00
Rhode Island	55.81
South Carolina	82.54
South Dakota	71.98
Tennessee	77.97
Texas	65.31
Utah	66.05
Vermont	68.27
Virgin Islands	55.00
Virginia	68.55
Washington	50.84
West Virginia	74.58
Wisconsin	57.25
Wyoming	53.07

During the period January 1, 1966, through June 30, 1969, the Federal medical percentage shall not be less than 105 percent of the Federal share of medical expenditures by the State during fiscal year 1965.

75 percent Federal matching would be available as to costs attributable to compensation of skilled professional medical personnel and staff directly supporting such personnel.

Same as existing law.

Federal matching for any State for any quarter prior to July 1, 1969, shall be reduced to the extent the excess of Federal matching for such quarter for the new medical program, old-age assistance, aid to needy families with children, aid to the blind, aid to the permanently and totally disabled, and aid under the consolidated program over the corresponding quarter or average quarterly Federal matching for these programs in fiscal year 1964 or 1965 is greater than the excess of total expenditures (Federal, State, and local) on these programs in such quarter over the corresponding quarter or of the average total quarterly expenditures on these programs in fiscal year 1964 or 1965.

The State plan requirements for the new medical program incorporate many of the plan requirements of existing programs. The following are the differences as they particularly affect the medical assistance for the aged group:

(1) Modifies provision to allow State to impose premiums, enrollment fees, on similar charges if they are reasonably related (as determined in accordance with standards prescribed by the Secretary) to the recipient's income or to his income and resources;

COMPARISON SHOWING EXISTING LAW AND CHANGES MADE BY H.R. 6675—Continued

C. EXTENSION OF KERR-MILLS PROGRAM—continued

Item	Existing law	H.R. 6675
<p>2. Medical assistance for the aged—Con. (d) State plan requirements—Con.</p>	<p>(b) must not impose property liens during the lifetime of the individual receiving benefits (except pursuant to court judgment on account of benefits incorrectly paid) and any recovery provisions under the plan must be limited to the estate of the individual after his death and the death of his surviving spouse;</p> <p>(c) must not impose a citizenship requirement which would exclude a citizen of the United States or a requirement which excludes a resident of the State;</p> <p>(d) must also provide, to the extent required by the Secretary of Health, Education, and Welfare, for inclusion of residents of the State who are absent therefrom; and</p> <p>(e) Include reasonable standards consistent with the objectives of this title for determining eligibility for, and the extent of assistance.</p> <p>(f) If a State has both a program for old-age assistance and medical assistance for the aged it must be administered by a single State agency.</p>	<p>(2) Broadened so that recovery would be further postponed where there is surviving child, under 21 or blind or disabled. No recovery is permitted for medical assistance received before age 65.</p> <p>(3) Same as existing law.</p> <p>(4) Same as existing law.</p> <p>(5) Same but with addition so that standards (a) take into account only such income and resources as are (as determined in accordance with standards prescribed by the Secretary), available to the applicant or recipient; (b) must provide for reasonable evaluation of income or resources; (c) do not take into account the financial responsibility of any individual for any applicant or recipient who is not such individual's spouse or child under age 21 or blind or disabled; and (d) provide for flexibility in the application of such standards with respect to income by taking into account (except to the extent prescribed by the Secretary) the costs (whether in the form of insurance premiums or otherwise) incurred for medical care.</p> <p>(6) The medical program must be administered by the same State agency that administers old-age assistance (or title XVI) except that in certain States with separate blind agencies, the portion of the plan relating to the blind may be administered by those agencies.</p> <p>The following additional plan requirements pertinent to the MAA group are added:</p> <p>(7) Until July 1, 1970, local funds may be used for up to 60 percent of non-Federal share of expenditures under the program. After that date, the non-Federal share of expenditures must be met entirely by the State.</p> <p>(8) No deductible, cost sharing, or similar charge will be imposed on any individual in respect to inpatient hospital service, nor with respect to any other care or service unless it is reasonably related (as determined in accordance with standards approved by the Secretary), to the recipient's income or his income and resources.</p> <p>(9) In the case of aged individuals covered by either or both of the insurance programs (hospital insurance</p>

(e) Use of private health insurance.

Includes in the amounts subject to Federal matching the expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof.

3. Effect on other public assistance programs:

(a) Medical vendor program content and scope.

No uniformity required as to eligibility or as to the amount or scope of benefits between medical vendor programs for OAA (title I), Aid to Families with Dependent Children (title IV), Aid to Blind (title X), Aid to Permanently and Totally Disabled (title XIV), and the consolidated program for the aged, blind, and disabled (title XVI).

Medical vendor programs for the medically indigent aged (MAA) can be greater in amount and scope than that for recipients on the cash assistance programs.

benefits for the aged, and supplementary health insurance benefits for the aged) established by the bill, provide—

(A) For meeting the full cost of any deductible imposed with respect to any such individual under such hospital insurance benefits program; and

(B) Where, under the plan, all of a deductible, cost sharing, or similar charge imposed with respect to any such individual under the supplementary health insurance benefits program is not met, the portion which is met shall be determined on a basis reasonably related (as determined in accordance with standards approved by the Secretary and included in the plan) to such individual's income or to his income and resources.

(10) If benefits are provided for the medically indigent aged similar provision must be made for the medically indigent blind, disabled, and dependent children and their parents. Benefits and eligibility standards must be comparable between groups. The benefits provided to the medically indigent cannot be greater than those provided to the cash recipients.

(11) Safeguards must be provided to insure determination of eligibility and provision of services be administratively simple and in the best interest of recipients.

(12) Provide for entering into cooperative arrangements with the State agencies responsible for administering of health services and vocational rehabilitation services, looking toward maximum utilization of such services in the provision of medical assistance under the plan.

(13) Provides for the reasonable cost (as determined in accordance with standards approved by the Secretary and included in the plan) of inpatient hospital services provided under the plan.

Same as existing law.

Federal participation in medical vendor payments will cease after June 30, 1967 (or upon the States implementation of the new program, if earlier), as to all existing titles (I, IV, X, XIV, and XVI).

If a State program covers the medically indigent aged (MAA) it must provide similar benefits in amount and scope to comparably medically indigent individuals who would, if in financial need, be in the other categories of assistance. The amount and scope of medical assistance for recipients of cash assistance under any of the programs cannot be less than that provided for the medically indigent. The amount and scope of medical assistance available must be comparable as to recipients on all cash assistance programs.

COMPARISON SHOWING EXISTING LAW AND CHANGES MADE BY H.R. 6675—Continued

C. EXTENSION OF KERR-MILLS PROGRAM—continued

Item	Existing law	H.R. 6675
<p>3. Effect on other public assistance programs—Continued                      (a) Medical vendor program content and scope—Continued</p>	<p>No specific medical care benefits required as a condition of Federal participation.</p> <p>There are various formulas which determine the extent of Federal participation:  <i>Aid to families with dependent children (title IV).</i>—Medical payments and cash assistance combined in one formula with Federal participation limited to an average monthly expenditure of \$30 per child or adult recipient.</p>	<p>Effective July 1, 1967, the States could not exclude any person who has not attained age 21 and who would be considered a dependent child except for the age and school attendance requirements under the State's aid to families with dependent children plan. Moreover, for matching purposes dependent children and adult care takers could be included even though they did not meet the State plan requirement for need and age, if they are otherwise qualified for cash payments under the aid to families with dependent children program.</p> <p>The Secretary of Health, Education, and Welfare shall not authorize matching unless the State makes a satisfactory showing that it is making efforts in the direction of broadening the scope of the care and services made available under the plan and in the direction of liberalizing the eligibility requirements for medical assistance, with a view toward furnishing by July 1, 1975, comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources, including services to enable such individuals to attain or retain independence or self-care.</p> <p>Provides that no lien may be imposed against the property of individual prior to his death, and that as to recipients under age 65 years of age there shall be no recovery or adjustment as to any medical assistance correctly paid.</p> <p>After July 1, 1967, benefits for new medical program must include at least following five services:</p> <ol style="list-style-type: none"> <li>(1) inpatient hospital services;</li> <li>(2) outpatient hospital services;</li> <li>(3) other laboratory and X-ray services;</li> <li>(4) skilled nursing home services;</li> <li>(5) physician's services whether furnished in the office, the patient's home, a hospital, a skilled nursing home, or elsewhere.</li> </ol> <p>Other services are optional. (See page 15.)</p> <p>The State plan must provide for the payment of reasonable costs of inpatient hospital services as is done for MAA group.</p> <p>As to all categories of recipients, provides Federal participation as described on page 16 (varies from 50 to 83 percent). Like MAA, there is no maximum on the amount which the Federal Government would share in.</p>
<p>(b) Matching formula—vendor medical payments.</p>	<p>There are various formulas which determine the extent of Federal participation:  <i>Aid to families with dependent children (title IV).</i>—Medical payments and cash assistance combined in one formula with Federal participation limited to an average monthly expenditure of \$30 per child or adult recipient.</p>	<p>Effective July 1, 1967, the States could not exclude any person who has not attained age 21 and who would be considered a dependent child except for the age and school attendance requirements under the State's aid to families with dependent children plan. Moreover, for matching purposes dependent children and adult care takers could be included even though they did not meet the State plan requirement for need and age, if they are otherwise qualified for cash payments under the aid to families with dependent children program.</p> <p>The Secretary of Health, Education, and Welfare shall not authorize matching unless the State makes a satisfactory showing that it is making efforts in the direction of broadening the scope of the care and services made available under the plan and in the direction of liberalizing the eligibility requirements for medical assistance, with a view toward furnishing by July 1, 1975, comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources, including services to enable such individuals to attain or retain independence or self-care.</p> <p>Provides that no lien may be imposed against the property of individual prior to his death, and that as to recipients under age 65 years of age there shall be no recovery or adjustment as to any medical assistance correctly paid.</p> <p>After July 1, 1967, benefits for new medical program must include at least following five services:</p> <ol style="list-style-type: none"> <li>(1) inpatient hospital services;</li> <li>(2) outpatient hospital services;</li> <li>(3) other laboratory and X-ray services;</li> <li>(4) skilled nursing home services;</li> <li>(5) physician's services whether furnished in the office, the patient's home, a hospital, a skilled nursing home, or elsewhere.</li> </ol> <p>Other services are optional. (See page 15.)</p> <p>The State plan must provide for the payment of reasonable costs of inpatient hospital services as is done for MAA group.</p> <p>As to all categories of recipients, provides Federal participation as described on page 16 (varies from 50 to 83 percent). Like MAA, there is no maximum on the amount which the Federal Government would share in.</p>

*Aid to blind (title X) and aid to permanently and totally disabled (title XIV).*—Medical payment and cash assistance combined in one formula as to each program with Federal participation limited to an average monthly expenditure of \$70 per recipient.

*Old-age assistance (title I).*—A separate medical payments formula which is applicable to \$15 of expenditures above the \$70 average monthly participation limit or to \$15 of expenditures within the \$70 limit.

For States with average monthly payments over \$70, the Federal Government participates in the expenditures in excess of that amount except that such participation is limited to the amount of the average vendor medical payment with a maximum of \$15. The Federal share in the excess expenditure is the "Federal medical percentage" for the State, which ranges from 50 to 80 percent under a formula based on per capita income. (See page 16.)

For States with average monthly payments of \$70 or less, the additional Federal share in average vendor medical payments up to \$15 is an additional 15 percent over the "Federal percentage"\* (which ranges from 50 percent to 65 percent based on per capita income).

This percentage, when added to the usual "Federal percentage," results in a total Federal share of from 65 to 80 percent. The additional Federal share of 15 percent also is available to States with average monthly payments over \$70 when it is advantageous to them as an alternative to the method described in the preceding paragraph.

*Combined program for aged, blind, and disabled (title XVI).*—As of December 1, 1964, some 14 jurisdictions had combined programs for the adult categories. The Federal participation as to this program is the same as for OAA.

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\*The "Federal percentage" determines the amount of Federal participation as to the amount of average payments between \$35 and \$70 for the adult programs (\$17 to \$30 for AFDC).

**PUBLIC ASSISTANCE**  
**I. INCREASE IN FEDERAL MATCHING FORMULA**

Item	Existing law	H.R. 6675																																																																											
A. Payments for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, or the combined aged, blind, and disabled program (title XVI).	<p>Federal matching share is \$29 of the first \$35 (<math>\frac{2}{3}</math> of the first \$35) with variable matching on the amount above \$35 up to a maximum of \$70 per recipient per month.</p> <p>Matching for States whose per capita income is at or above the national average is 50 percent, while for States below the national average it varies up to 65 percent.</p> <p>The "Federal percentages" as promulgated for the period July 1, 1963, through June 30, 1965, are as follows:</p>	<p>Effective January 1, 1966, the Federal matching share will be increased to \$31 out of the first \$37 (<math>\frac{3}{4}</math> of the first \$37) with variable matching on the amount above \$37 up to a maximum of \$75 per recipient per month.</p>																																																																											
	<p style="text-align: right;"><i>Federal percentage</i></p> <p>State:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Alabama .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Alaska .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Arizona .....</td><td style="text-align: right;">58.75</td></tr> <tr><td>Arkansas .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>California .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Colorado .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Connecticut .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Delaware .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>District of Columbia .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Florida .....</td><td style="text-align: right;">60.69</td></tr> <tr><td>Georgia .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Hawaii .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Idaho .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Illinois .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Indiana .....</td><td style="text-align: right;">52.06</td></tr> <tr><td>Iowa .....</td><td style="text-align: right;">57.63</td></tr> <tr><td>Kansas .....</td><td style="text-align: right;">56.63</td></tr> <tr><td>Kentucky .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Louisiana .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Maine .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Maryland .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Massachusetts .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Michigan .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Minnesota .....</td><td style="text-align: right;">56.42</td></tr> <tr><td>Mississippi .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Missouri .....</td><td style="text-align: right;">50.45</td></tr> <tr><td>Montana .....</td><td style="text-align: right;">59.69</td></tr> <tr><td>Nebraska .....</td><td style="text-align: right;">55.10</td></tr> <tr><td>Nevada .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>New Hampshire .....</td><td style="text-align: right;">56.38</td></tr> <tr><td>New Jersey .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>New Mexico .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>New York .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>North Carolina .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>North Dakota .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Ohio .....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Oklahoma .....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Oregon .....</td><td style="text-align: right;">50.00</td></tr> </table>	Alabama .....	65.00	Alaska .....	50.00	Arizona .....	58.75	Arkansas .....	65.00	California .....	50.00	Colorado .....	50.00	Connecticut .....	50.00	Delaware .....	50.00	District of Columbia .....	50.00	Florida .....	60.69	Georgia .....	65.00	Hawaii .....	50.00	Idaho .....	65.00	Illinois .....	50.00	Indiana .....	52.06	Iowa .....	57.63	Kansas .....	56.63	Kentucky .....	65.00	Louisiana .....	65.00	Maine .....	65.00	Maryland .....	50.00	Massachusetts .....	50.00	Michigan .....	50.00	Minnesota .....	56.42	Mississippi .....	65.00	Missouri .....	50.45	Montana .....	59.69	Nebraska .....	55.10	Nevada .....	50.00	New Hampshire .....	56.38	New Jersey .....	50.00	New Mexico .....	65.00	New York .....	50.00	North Carolina .....	65.00	North Dakota .....	65.00	Ohio .....	50.00	Oklahoma .....	65.00	Oregon .....	50.00
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South Carolina.....	65.00
South Dakota.....	65.00
Tennessee.....	65.00
Texas.....	61.45
Utah.....	62.28
Vermont.....	64.75
Virginia.....	65.00
Washington.....	50.00
West Virginia.....	65.00
Wisconsin.....	52.50
Wyoming.....	50.00

(27 F.R. 9185)

*Vendor medical payments.*—For old-age assistance and for the combined aged, blind, and disabled program there is additional Federal matching as to medical vendor payments (i.e., payments directly to the providers of medical services) with respect to State expenditures for medical or remedial care, the larger of the following alternatives:

“Federal medical percentage” of vendor payment expenditures that are above \$70 per month, up to \$15 per recipient per month.

or

15 percent of vendor payment expenditures, up to \$15 per recipient per month.

The “Federal medical percentage” is dependent on the relationship between State per capita income and the national per capita income. The percentage ranges from 50 percent for States at or above the national average to 80 percent for States with the lowest income.

For States with average monthly payments over \$70, the Federal Government participates at the rate of the “Federal medical percentage” in the expenditures over \$70 except that such participation is limited to the amount of the average vendor medical payment up to \$15 per recipient per month.

For States with average monthly payments of \$70 per month or less, the Federal share in average vendor medical payments up to \$15 per recipient per month is an additional 15 percentage points over and above the “Federal percentage” used to compute the Federal share of money payments.

Provision is also made that a State with an average payment over \$70 per month can never receive less in additional Federal funds in respect to such medical service costs than if it had an average payment of \$70 per month.

Permits Federal matching of State expenditures under all four public assistance programs for medical or remedial care furnished within 3 months before the month in which a person applies for assistance.

For those States which adopt the optional combined aged, blind, and disabled program the additional \$15 matching for medical vendor payments is applicable to the blind and disabled recipient under the combined program.

No change but vendor medical provision will expire on July 1, 1967, and will be covered in new title XIX.

Formula also changed to reflect new matching maximum on assistance payments of \$75.

Formula is restated so that amounts in which the Federal Government participates at the “Federal medical percentage” are counted before those in which participation is at this “Federal percentage.”

**PUBLIC ASSISTANCE—Continued**

**I. INCREASE IN FEDERAL MATCHING FORMULA—Continued**

Item	Existing law	H.R. 6675
B. Payments for aid to families with dependent children.	For money and medical vendor payments the Federal share is \$14 out of the first \$17 ( $\frac{14}{17}$ of the first \$17) per recipient per month with variable matching on the amount above \$17 up to a maximum of \$30 per recipient per month. Variable matching for the States is at the same percentages as old-age assistance money payment matching.	Effective January 1, 1966, the Federal matching share would be increased to \$15 out of the first \$18 ( $\frac{15}{18}$ of the first \$18) with variable matching on the amount above \$18 up to a maximum of \$32 per month per recipient.
C. Special formula for Puerto Rico, Virgin Islands, and Guam:		
1. Matching formula-----	Federal matching on a 50-50 basis on both money and vendor medical payments up to a maximum of \$37.50 a month times the number of recipients on the old-age, blind, and disabled program with a maximum of \$18 a month times the number of recipients on the aid to dependent children program. Additional matching for vendor medical expenditures is available for up to \$7.50 per month per recipient on old-age assistance and combined adult program rather than the additional \$15 per month per recipient which applies to the States and the District of Columbia.	No change.
	Total Federal payments for all 4 public assistance programs may not exceed— Puerto Rico----- \$9, 800, 000 Virgin Islands----- 330, 000 Guam----- 450, 000 In each case a portion of these amounts is only available if used to provide additional medical vendor payments on behalf of assistance recipients: Puerto Rico----- \$625, 000 Virgin Islands----- 18, 750 Guam----- 25, 000	Provision will expire June 30, 1967.
2. Dollar limitation-----	Federal payments for programs of medical assistance for the aged are excepted from dollar limitation provision. No provision in existing law to insure that public assistance recipients receive higher payments because of legislation liberalizing the Federal matching formula.	No change.
D. Pass along provision-----		Deletes required earmarking for medical vendor payments.
		Federal matching for any State for any quarter shall be reduced to the extent that the excess of the Federal matching for such quarter over the corresponding quarter or the average Federal matching for quarters in fiscal 1964 or 1965 is greater than the excess of total Federal, State, and local expenditures for the quarter over the corresponding quarter or the average Federal, State, and local total expenditures for quarters in fiscal 1964 or 1965.

E. Consideration of income in determination of need.

1. Consideration of earnings in old-age assistance and aged in combined program (title XVI).
2. Disregarding OASDI benefit increase, and child's benefit beyond age 18, to extent attributable to retroactive effective date.

In determining the need of an aged recipient, a State may, after Dec. 31, 1962, disregard a portion of earned income. Of the first \$50 per month, the State may disregard up to the first \$10 completely, plus ½ of the remainder.

No provision in past legislation to exempt OASDI benefit increases from public assistance income considerations.

In determining need of an aged recipient, a State may, after Dec. 31, 1965, disregard an additional portion of earned income. Of the first \$80 per month, the State may disregard the first \$20 completely, plus ½ of the remainder.

Would allow a State to disregard the retroactive portion (January 1965) of the 7 percent benefit increase or the child benefit for children over 18 in school in determining need of the aged, blind, disabled, or families with dependent children.

## II. MENTAL AND TB EXCLUSION

A. Old-age assistance and aged individual in combined program (title XVI).

Federal matching is available as to cash and vendor payment, but does not include—

- (1) Cash or vendor payments on behalf of an inmate of a public institution (except as a patient in medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or
- (2) Any cash payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof;
- (3) Vendor payments on behalf of any individual who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis with respect to any period after the individual has been a patient in such an institution for 42 days.

B. Aid to blind and disabled-----

Federal matching is available as to cash and vendor payment, but does not include—

- (1) Cash or vendor payments on behalf of an inmate of a public institution (except as a patient in medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or
- (2) Any cash or vendor payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof;

C. Medical assistance for the aged-----

Federal matching is available as to vendor payments but does not include—

- (1) Payments on behalf of an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases, or
- (2) On behalf of any individual who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis with respect to any period after the individual has been a patient in such an institution for 42 days.

(1) Deletes tuberculosis and mental exclusion for individuals age 65 or over; retains exclusion as to payments to inmates of a public institution (except as a patient in a mental institution).

(2) Deletes tuberculosis and mental exclusion.

(3) Deletes tuberculosis and mental exclusion entirely

(1) No change.

(2) Deletes tuberculosis and mental exclusion.

(1) Deletes tuberculosis and mental exclusion; retains exclusion as to payments to inmates of a public institution (except as a patient in a mental institution).

(2) Deletes tuberculosis and mental exclusion entirely.

**PUBLIC ASSISTANCE—Continued**

**II. Mental and TB exclusion—Continued**

Item	Existing law	H.R. 6675
D. State plan requirements-----	No provision.	<p>As to old-age assistance, medical assistance for the aged, combined program (title XVI) or new medical assistance program (title XIX) adds requirement that if State plan includes cash payment or vendor payments to persons in mental or tuberculosis institutions it must—</p> <p>(1) Provide for having in effect arrangements with the State mental health or tuberculosis authority or authorities, and, where appropriate, with such institutions, including arrangements for joint planning, development of alternate methods of care, assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, allowing access to patients and facilities, furnishing information, and making reports, as may be necessary to enable the State agency to carry out its responsibilities under the State plan;</p> <p>(2) Provide for an individual plan for each patient to assure that the institutional care provided to him is in his best interests, including, to that end, assurances that there will be initial and periodic review of his medical and other needs, that he will be given appropriate medical treatment within the institution, and that there will be periodic determination of his need for continued treatment in the institution;</p> <p>(3) Provide for the development of alternate plans of care, making maximum utilization of available resources, for recipients who would otherwise need care in such institutions, including appropriate medical treatment and other assistance, for rehabilitation services which are appropriate for such, and for methods of administration necessary to assure that these provisions will be effectively carried out; and</p> <p>(4) Provide methods of determining the reasonable cost of institutional care for such patients.</p> <p>And, if the State elects to provide vendor or cash payments to patients in public institutions for mental diseases, it must be shown that the State is making satisfactory progress toward developing a comprehensive mental health program, including provision for utilization of community mental health centers, nursing homes, and other alternatives to institutional care.</p> <p>Federal matching for any State for any quarter which is attributable to State or local expenditures with respect to patients in institutions for tuberculosis or mental diseases shall only be paid to extent that the State makes a showing satisfactory to the Secretary that it has increased Federal, State, and local expenditures for mental health services under public health and public welfare programs in the State over the average of such expenditures for quarters in fiscal year 1965.</p>
E. Pass along provision-----	No provision.	

### III. PROTECTIVE PAYMENTS

<p><b>A. Protective payments under old-age assistance and the combined program (title XVI).</b></p>	<p>Federal financial participation as to money payments to needy persons or their legal guardians has been authorized since 1935. Vendor payments, made directly to the suppliers of medical services on behalf of recipients have been authorized by the 1950 amendments. Since 1958, payments have been authorized to be made to another person who is judicially appointed for the purpose of receiving and managing such assistance payments (whether or not he is such individual's legal representative for other purposes).</p>	<p>Authorizes protective payments to be made to a person who is interested in or concerned with the welfare of the needy person under a State plan which provides for—</p> <p>(1) Determination by the State agency that payments in this form are necessary because the needy person has, by reason of his physical or mental condition, such inability to manage funds that making cash payments to him would be contrary to his welfare;</p> <p>(2) Special efforts to protect the welfare and improve the ability of the needy individual to manage funds;</p> <p>(3) Periodic review of the situation to determine whether such payments to an interested person are still necessary—and seeking judicial appointment of a guardian or legal representative if and when such action will serve the interests of such needy individual; and</p> <p>(4) Opportunity for a fair hearing before the State agency on the determination that payments to an interested person are necessary.</p> <p>(5) Payments which together with other income meet the individual's need in full.</p>
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### IV. OTHER CHANGES

<p><b>A. Definition of medical assistance for the aged.</b></p>	<p>The term "medical assistance for the aged" means payments of part or all of the cost of care and services (if provided in or after the 3d month before the month in which the recipient makes application for assistance) for individuals 65 years of age or older who are not recipients of old-age assistance but whose income and resources are insufficient to meet all of the cost of medical services.</p>	<p>Eliminates restriction upon Federal matching for recipients of old-age assistance for month they are admitted effective July 1, 1965, or discharged from a medical institution.</p>
<p><b>B. Exemption of earnings under the poverty program.</b></p>	<p>The Economic Opportunity Act of 1964 provides that certain amounts of income derived under titles I and II of that act may not be taken into account by State public assistance programs after June 30, 1965.</p>	<p>Provides a further grace period for State compliance with this provision so that no funds will be withheld before the 1st month after the adjournment of a State's first regular legislative session which adjourns after the date of the enactment of the Economic Opportunity Act (Aug. 20, 1964).</p>
<p><b>C. Administrative and Judicial Review of Administrative Actions:</b> (1) Initial approval of State plan---</p>	<p>No explicit authority for review of Secretary's disapproval of a plan which is submitted by a State.</p>	<p>Sets up specific statutory procedures for review of administrative determinations: When a State submits a new plan under one of the public assistance titles, the Secretary shall make a determination within 90 days as to whether the proposal meets the applicable requirements for approval. This period may be extended by written agreement of the Secretary and the State. If the State is dissatisfied with the Secretary's determination, it may, within 60 days, petition for a reconsideration. The Secretary shall then set a time and place for a hearing, to begin from 20 to 60 days after the date notice of the hearing is furnished to the State, unless the</p>

**PUBLIC ASSISTANCE—Continued**

**IV. OTHER CHANGES—Continued**

Item	Existing law	H.R. 6675
<p>C. Administrative and Judicial Review of Administrative Actions—Continued                      (1) Initial approval of State plan—Continued</p> <p>(2) Subsequent noncompliance....</p> <p>(3) Audit exceptions (disallowance of specific items for Federal participation).</p>	<p>Under all public assistance titles the Secretary shall give reasonable notice and opportunity for hearing to a State prior to discontinuing payments under a previously approved State plan because of his finding that the plan has been so changed that it no longer complies with certain requirements of the law.</p> <p>No specific authority for review of Secretary's disallowances.</p>	<p>Secretary and the State agree in writing upon another time. Within 60 days of the conclusion of the hearing, the Secretary shall affirm, modify, or reverse his original determinations. If the State is dissatisfied with this final determination, it may, within 60 days, appeal to the U.S. court of appeals. In the judicial proceeding, the findings of fact by the Secretary shall be conclusive, unless substantially contrary to the weight of the evidence; if good cause is shown for taking further evidence, the court may remand the case to the Secretary for this purpose. The court may affirm the action of the Secretary or set it aside, in whole or in part. The court's judgment shall be subject to review by the Supreme Court of the United States upon certiorari or certification.</p> <p>The foregoing procedures are also applicable, at the option of the State, upon submittal of any amendment of an approved State plan.</p> <p>The bill further provides that action pursuant to an initial determination of the Secretary, as therein described, shall not be stayed pending reconsideration. If the Secretary subsequently determines that his initial determination was incorrect, he shall pay forthwith in a lump sum any amounts, not otherwise already paid, which are payable to the State in accordance with the corrected determination of the Secretary on the basis of the expenditures made by the State.</p> <p>Makes final determination of the Secretary subject to judicial review in the same manner as outlined above.</p> <p>Provides that whenever the Secretary determines that there shall be a disallowance the State shall be entitled, on request, to an administrative reconsideration of the decision.</p> <p>Effective as to determinations made after December 31, 1965.</p>

**MATERNAL AND CHILD HEALTH SERVICES**

**(Title V of Social Security Act)**

Item	Existing law	H. R. 6675
I. Increase in authorization-----	\$40,000,000 for the fiscal year ending June 30, 1966. \$40,000,000 for the fiscal year ending June 30, 1967. \$45,000,000 for the fiscal year ending June 30, 1968 and 1969. \$50,000,000 for the fiscal year ending June 30, 1970 and for each fiscal year thereafter.	\$45,000,000 for the fiscal year ending June 30, 1966. \$50,000,000 for the fiscal year ending June 30, 1967. \$55,000,000 for the fiscal year ending June 30, 1968 and 1969. \$60,000,000 for the fiscal year ending June 30, 1970.
II. Provision for extension of services to additional parts of State.	No provision.	Requirement that after June 30, 1966, a State make a satisfactory showing that it is extending the provision of maternal and child health services with a view to making services available by July 1, 1975, to children in all parts of the State.
III. Payment of reasonable cost of inpatient hospital services.	No provision.	Requires effective July 1, 1967, payment of reasonable cost (as determined in accordance with standards approved by the Secretary and included in maternal and child health services plans of inpatient hospital care).

**CRIPPLED CHILDREN'S SERVICES**

**(Title V of Social Security Act)**

Item	Existing law	H. R. 6675
I. Increase in authorization-----	\$40,000,000 for the fiscal year ending June 30, 1966. \$40,000,000 for the fiscal year ending June 30, 1967. \$45,000,000 for the fiscal year ending June 30, 1968 and 1969. \$50,000,000 for the fiscal year ending June 30, 1970 and for each fiscal year thereafter.	\$45,000,000 for the fiscal year ending June 30, 1966. \$50,000,000 for the fiscal year ending June 30, 1967. \$55,000,000 for the fiscal year ending June 30, 1968 and 1969. \$60,000,000 for the fiscal year ending June 30, 1970.
II. Provision for extension of services to additional parts of State.	No provision.	Requirement that after June 30, 1966, a State make a satisfactory showing that it is extending the provision of Crippled Children's Services with a view to making services available by July 1, 1975, the children in all parts of the State.
III. Authorization for grants to institutions of higher learning for training of professional personnel.	No explicit provision.	Authorization of \$5,000,000 for fiscal year ending June 30, 1967, \$10,000,000 for fiscal year ending June 30, 1968, and \$17,500,000 for each fiscal year thereafter for grants to institutions of higher learning for training professional personnel for health and related care of crippled children particularly mentally retarded children and children with multiple handicaps.
IV. Payment of reasonable cost of in-patient hospital services.	No provision.	Requires effective July 1, 1967, payment of reasonable cost (as determined in accordance with standards approved by the Secretary and included in Crippled Children's Services plans of inpatient hospital care).

**SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN**  
**(Title V of Social Security Act)**

Item	Existing law	H. R. 6675
I. Authorization-----	No provision-----	<p>Authorization of \$15,000,000 for the fiscal year ending June 30, 1966, \$35,000,000 for the fiscal year ending June 30, 1967, and annual increases in the authorization of \$5,000,000 each fiscal year thereafter through the fiscal year ending June 30, 1970, for project grants to the State health agency or with its consent the health agency of any political subdivision of the State, to the State agency administering or supervising the administration of the State crippled children's program, to schools of medicine, and to teaching hospitals affiliated with medical schools to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for health care and services for children of school age and preschool children. To be comprehensive in nature projects for children and youth of school age must include screening, diagnosis, preventive services, treatment, correction of defects, and aftercare. Projects must provide for (1) coordination with and utilization of other State and local health, welfare, and education programs for such children; (2) payment of reasonable cost of inpatient hospital services; (3) treatment, correction of defects, or aftercare to be available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control; and (4) inclusion of such screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, medical or dental, as required by the Secretary. The Secretary is required to make a full report before July 1, 1969, of the administration of these project grants for the health care of school and preschool children with his evaluation and recommendations as to continuation or modification of the program.</p>

**GRANTS FOR MENTAL RETARDATION PLANNING**

**(Title XVII of Social Security Act)**

Item	Existing law	H. R. 6675
I. Authorization-----	\$2,200,000 was authorized for grants during fiscal 1964 and fiscal 1965.	Authorizes \$2,750,000 for fiscal 1966 and fiscal 1967. Sums appropriated during fiscal 1966 are for grants during that year and the 2 succeeding fiscal years. Sums appropriated in fiscal 1967 are also available until June 30, 1968.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE**

**(Title II of the Social Security Act)**

**I. COVERAGE**

Item	Existing law	H.R. 6675
<b>A. Self-employed</b> -----	<p><i>Covers</i> all self-employed if they have net earnings from self-employment of \$400 a year except that certain types of income, including dividends, interest, sale of capital assets, and rentals from real estate (including certain rentals paid in crop shares—see item 3, "Farm operators") are not covered unless received by dealers in real estate and securities in the course of business dealings.</p>	<p>Permits exemption from the social security self-employment tax of individuals who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of a religious sect (or division thereof) of which they are members. The exemption could be granted with respect to taxable years beginning after Dec. 31, 1950.</p> <p>The sect (or division thereof) must be one that has been in existence at all times since Dec. 31, 1950, and has for a substantial period of time been making reasonable provision for its dependent members. Before an individual could be granted exemption he would be required to waive all benefits and other payments under any insurance system established by the Social Security Act on the basis of his own earnings as well as all such benefits and other payments to him based on the earnings of any other person. The exemption could not be granted to any person who has been entitled to social security benefits, or to one whose earnings have provided the basis for entitlement to social security benefits for any other person.</p>
1. Professional groups-----	<p><i>Covers</i> all professional groups except physicians.</p>	<p><i>Covers</i> physicians. Effective for taxable years ending after Dec. 31, 1965.</p>
2. Ministers-----	<p><i>Covers</i> duly ordained, commissioned or licensed ministers, Christian Science practitioners, and members of religious orders (other than those who have taken a vow of poverty) serving in the United States, and those serving outside the country who are citizens and either working for U.S. employers or serving a congregation predominantly made up of U.S. citizens. Coverage is available under the self-employment coverage provisions on an individual voluntary basis regardless of whether they are employees or self-employed.</p>	<p>No change.</p>
3. Farm operators-----	<p><i>Covers</i> farm operators on the same basis as other self-employed persons except that farm operators whose annual gross earnings are \$1,800 or less can report either their actual net earnings or 66½ percent of their gross earnings.</p> <p>Farmers whose annual gross earnings are over \$1,800 report their actual net earnings if over \$1,200, but if actual net earnings are less than \$1,200, they may report \$1,200.</p>	<p>Modifies exception so that farm operators whose annual gross earnings are \$2,400 or less can report either their actual net earnings or 66½ percent of their gross earnings. Farmers whose gross earnings are over \$2,400 report actual net earnings if over \$1,600, but if actual net is less than \$1,600, they may report either actual net earnings or \$1,600. Effective as to taxable years beginning after Dec. 31, 1965.</p>

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

Title II of the Social Security Act—Continued

I. COVERAGE—Continued

Item	Existing law	H. R. 6675
A. Self-employed—Continued 3. Farm operators—Continued	Rentals from real estate are not creditable as self-employment earnings, but if landlord under arrangements with tenant or share farmer participates materially in the production of, or in the management of, the crops or livestock on his land, the income is covered.	No change.
4. Public officials-----	<i>Excludes</i> individuals performing functions of public officials.	No change.
5. Newspaper vendors-----	<i>Covers</i> individuals over 18 who buy newspapers and magazines at one price and sell them at another regardless of whether they are guaranteed minimum compensation or may return unsold papers and magazines.	No change.
B. Employees-----	<i>Covers</i> employees including certain agent or commission drivers, life insurance salesmen, homeworkers, traveling salesmen, and officers of corporations regardless of the common-law definition of employee.	No change.
1. Agricultural workers-----	<i>Covers</i> agricultural workers who either (1) are paid \$150 or more in cash wages in a calendar year by an employer or (2) perform agricultural labor for an employer on 20 days or more during the calendar year. Workers who are recruited and paid by a crew leader shall be deemed to be employees of the crew leader if such crew leader is not, by written agreement, designated to be an employee of the owner or tenant and if such crew leader is customarily engaged in recruiting and supplying individuals to perform agricultural labor; under such circumstances the crew leader shall be deemed to be self-employed. <i>And excludes:</i> a. Mexican contract workers. b. Workers lawfully admitted to the United States from the Bahamas, Jamaica, and other islands in the British West Indies or from any other foreign country or its possessions, on a temporary basis to perform agricultural labor.	No change.
2. Domestic workers-----	<i>Covers</i> persons performing domestic service in private nonfarm homes if they receive \$50 or more during a calendar quarter from 1 employer. Noncash remuneration is excluded. <i>Excludes</i> students performing domestic service in clubs or fraternities if enrolled and regularly attending classes at school, college, or university.	No change.
3. Casual labor -----	<i>Covers</i> cash remuneration for service not in the course of the employer's trade or business if the remuneration is \$50 or more from 1 employer during a calendar quarter.	No change.

4. Cash tips.....

Tips received by employees are generally not counted as wages. While employees' tips are not mentioned in the law, regulations exclude from wages tips paid directly to an employee, and not accounted for by the employee to the employer.

*Tips covered for social security.* Tips which an employee receives on his own behalf in the course of his employment for an employer, whether the tips are received directly from a customer or through the employer, are specifically covered as wages. However, cash tips of less than \$20 received by an employee in a calendar month in the course of his employment for 1 employer and all noncash tips are excluded.

*Employee obligation.* An employee who, in a month, gets tips that are wages for social security is required to furnish to his employer a written report of his tips at least once a month. Tips are considered reported only if they are included in a written statement furnished to the employer on or before the 10th day following the month in which the tips are received, and only to the extent that the employer has in his possession within the same time limit wages or money given to him by the employee to cover the employee's social security tax. Covered tips are deemed paid to employee by employer when reported or, if not reported, when received. If an employee fails to report to the employer some or all of his covered tips, he is required to pay both the employee tax on the unreported tips and an additional amount equal to the employee tax. The additional tax is waived if the failure to report is due to reasonable cause and not due to willful neglect.

*Employer obligation.* The employer is responsible for the employee's social security tax, paying the employer's share of the tax, and including the tips in his quarterly social security report of wages and on his tax withholding statement to the employee only with respect to tips which an employee includes in a written statement furnished to the employer on or before the 10th day following the month the tips are received, and only to the extent that he can collect the employee tax, before the close of the 10th day following the month in which the tips are received, from unpaid wages (not including tips) or from funds turned over to the employer for that purpose.

An employer can obtain statements from the employee at other times before the 10th day following the month in which the tips are received, in accordance with regulations prescribed by the Secretary of the Treasury. An employer who is furnished a written statement of tips received in a month before the 10th day following the month in which the tips were received is authorized to deduct the employee's tax on the tips included in the statement from the employee's unpaid wages (not including tips) even though at the time the statement is furnished the total amount of the tips reported as received in the month in the course of his employment by the employer is less than \$20.

The employer is permitted to withhold the employee's share of the social security tax from current wages on the basis of an estimated amount of tips and to adjust the amount withheld at the end of each quarter to conform to the amount actually due on the basis of the

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

Title II of the Social Security Act—Continued

I. COVERAGE—Continued

Item	Existing law	H.R. 6675
<p>B. Employees—Continued 4. Cash tips—Continued</p>		<p>employee's written statement of his tips. (This provision permits the employer to gear the new reporting procedure into his usual payroll procedure.) <i>Tips subject to income tax withholding.</i> In general, tips that are covered as wages for social security are subject to income tax withholding. The employer is liable for withholding income tax on only those tips that are included in a written statement furnished to him by the employee on or before the 10th day following the month in which the tips are received and then only to the extent that he could collect the tax, at or after the time the statement is furnished and before the close of the calendar year in which the tips are received, from unpaid wages (not including tips), or from funds turned over to him for that purpose, remaining after the employee social security tax due on the tips is subtracted. Effective date: Applicable to tips received by employees after 1965.</p>
<p>5. State and local government employees.</p>	<p><i>Covers</i> employees of State and local governments provided the individual State enters into an agreement with the Federal Government to provide such coverage, with the following special provisions:</p> <p>a. <i>States have the option</i> of covering or excluding employees in any class of elective position, part-time position, fee-basis position, or performing emergency services.</p> <p>b. <i>Excludes</i> the services of the following persons, specifying that they cannot be included in a State agreement and cannot, therefore, be covered:</p> <ol style="list-style-type: none"> <li>(1) Employees on work relief projects;</li> <li>(2) Patients and inmates of institutions who are employed by such institutions;</li> <li>(3) Services of the types which would be excluded by the general coverage provisions of the law if they were performed for a private employer, <i>except</i> that agricultural and student services in this category may be covered at the option of the State.</li> </ol> <p>c. Employees who are in positions covered under an existing State or local retirement system may be covered under State agreements only if a referendum is held by a secret written ballot, after not less than 90 days' notice, and if the majority of eligible employees under the retirement system vote in favor of coverage. However, employees in policemen and firemen positions under a State and local</p>	<p>No change.</p> <p>No change.</p> <p>No change.</p>

retirement system cannot be covered in the agreement. The Governor of a State or his delegate must certify that certain Social Security Act requirements under the referendum procedure have been properly carried out. In most States, all members of a retirement system (with minor exceptions) must be covered if any members are covered.

Employees of any institution of higher learning (including a junior college or a teachers' college and employees of a municipal or county hospital) under a retirement system can, if the State so desires, be covered as a separate coverage group, and 1 or more political subdivisions may be considered as a separate coverage group even though its employees are under a statewide retirement system.

In addition, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees who are members or who have an option to join more than 1 State or local retirement system cannot be covered unless all such retirement systems are covered.

Individuals in positions under retirement systems on Sept. 1, 1954, are precluded from obtaining coverage under the nonretirement system coverage provisions.

The 1960 amendments permit California to cover, before 1962, persons employed by a hospital in 1957, 1958, or 1959 in positions removed, after Sept. 1, 1954 and before 1960, from retirement system coverage for whom social security taxes were erroneously paid. Hospital employment before 1960 on which taxes were paid and all subsequent hospital employment of such persons could be covered.

*Exceptions to general law concerning coverage in named States:*

(1) *Split-system provisions.*—Authorizes California, Connecticut, Florida, Georgia, Hawaii, Massachusetts, Minnesota, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin, and all interstate instrumentalities, at their option, to extend coverage to the members of a State retirement system by dividing such a system into 2 divisions, 1 to be composed of those persons who desire coverage and the other of those persons who do not wish coverage, provided that new members of the retirement system coverage group are covered compulsorily. Also authorize similar treatment of political subdivision retirement systems of these States.

Those employees covered by a divided retirement system who did not elect coverage in the original agreement, may, nevertheless elect coverage until 1963, or, if later, until 2 years after the date on which coverage was approved for the group that originally elected coverage. Also provides that the coverage of persons electing under this amendment would begin on the same date as coverage became effective for the group originally covered.

Would modify provision so that service of persons in such positions after 1959 would also be covered. Upon modification of agreement by the end of 6 months following month of enactment, service performed on or after Jan. 1, 1962, would be covered. Services performed before Jan. 1, 1962, would be covered, if contribution in the proper amount was paid prior to date of enactment.

Adds Kentucky and Alaska to the list. Effective upon enactment.

Extends the time in which such employees can elect to be covered until the end of 1966 (or, if later, the expiration of 2 years after the date on which coverage was approved for the group that originally elected coverage). Effective upon enactment.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

Title II of the Social Security Act—Continued

I. COVERAGE—Continued

Item	Existing law	H. R. 6675
<p>B. Employees—Continued</p> <p>5. State and local government employees—Continued</p>	<p>Also provides that where an individual who has chosen not to be covered under the divided retirement system provision becomes a member of a different retirement system group which has elected coverage because of the annexation of the employing political subdivision by another political subdivision, or through some other action taken by a political subdivision, such individual will continue to be excluded from coverage.</p> <p>(2) <i>Policemen and firemen.</i>—Allows the States of Alabama, California, Florida, Georgia, Hawaii, Kansas, Maine, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, and Washington and all interstate instrumentalities to make coverage available to policemen and firemen in those States, subject to the same conditions that apply to coverage of other employees who are under State and local retirement systems, except that where the policemen and firemen are in a retirement system with other classes of employees the policemen and firemen may, at the option of the State, hold a separate referendum and be covered as a separate group.</p> <p>(3) <i>Employees of unemployment compensation systems.</i>—Authorizes Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, and Hawaii, at their option, to cover their employees who are paid wholly or partly from Federal funds under the unemployment compensation provisions of the Social Security Act—either by themselves or with the other employees of the department of the State in which they are employed—after complying with the referendum provisions.</p> <p>d. Coverage on a compulsory basis is provided for employees of certain publicly owned transportation systems.</p> <p>e. <i>Effective date of coverage agreement.</i>—Allows agreements or modifications made after 1959 to begin as early as 5 years before the year in which an agreement is made, but no earlier than Jan. 1, 1956. Where a retirement system is covered as a single retirement system coverage group, permits the State to provide different beginning dates for coverage of the employees of different political subdivisions.</p>	<p>No change.</p> <p>No change.</p> <p>No change.</p> <p>No change.</p>

6. Employees of nonprofit organizations.

Covers employees of religious, charitable, educational, and other nonprofit organizations (which are exempt from income tax and are described in sec. 501(c)(3) of the Internal Revenue Code) on a voluntary basis if the employer organization certifies that it desires to extend coverage to its employees.

Employees may concur by signing a list or supplemental list which is filed within 24 months after the quarter in which the certificate is filed. Employees who do not concur in the filing of the certificate are not covered except that all employees hired after a certificate becomes effective are covered.

Waiver certificate may be made effective at the option of the organization on the 1st day of the quarter in which the certificate is filed, the 1st day of the succeeding quarter, on the 1st day of any of the 4 quarters preceding the quarter in which the certificate is filed.

Employees of nonprofit organizations who are in positions covered by State and local retirement systems and are members or eligible to become members of such systems must be treated apart from those not in such positions. Certificates must be filed separately for each group. All new employees who belong to a group for which a certificate has been filed are automatically covered, and new employees who belong to a group for which a certificate has not been filed are not covered.

7. Federal employees-----

Excludes employees of the United States or its instrumentalities if—

- a. they are covered by a retirement system established by Federal law; or
- b. they perform services—
  - (1) as the President, Vice President, or a Member of Congress;
  - (2) in the legislative branch;
  - (3) in a penal institution as an inmate;
  - (4) as certain interns, student nurses, and other student employees of Federal hospitals;
  - (5) as employees on a temporary basis in disaster situations;
  - (6) as employees not covered by the Civil Service Retirement Act because they are subject to another retirement system (other than the retirement system of the Tennessee Valley Authority); or
- c. the instrumentality has been specifically exempted by statute from the employer tax; or
- d. the instrumentality was exempt from the employer tax on Dec. 31, 1950, and its employees are covered by its retirement system.

Covers the following Federal employees excepted from the exclusion in 6-d unless they are excluded on the basis of one of the other provisions:

- a. employees of a corporation which is wholly owned by the United States;
- b. employees of a national farm loan association, a production credit association, a Federal Reserve bank, or a Federal credit union;

No change.

Permits nonprofit organizations to elect coverage as early as the 1st day of the 20th calendar quarter preceding the quarter in which the certificate of waiver is filed. Permits the validation of certain erroneous wage reportings by nonprofit organizations.

Effective upon enactment.

No change, except—

Excepts from exclusion and thereby provides coverage to medical or dental interns or residents in training. Effective as to services performed after 1965.

Extends coverage to employees of the District of Columbia not covered by any retirement system established by a law of the United States. Effective date: amendments apply to services performed after the quarter in which the Secretary of the Treasury receives a certification from the District of Columbia Commissioners that they desire coverage of these services.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

Title II of the Social Security Act—Continued

I. COVERAGE—Continued

Item	Existing law	H.R. 6675
B. Employees—Continued		
7. Federal employees—Continued	<p>c. employees (not compensated by funds appropriated by Congress) of the post exchanges of the various armed services (including the Coast Guard) and other similar organizations at military installations;</p>	
8. Students, interns, and nurses in schools and hospitals.	<p>d. employees of a State, county, or community committee under the Production and Marketing Administration.</p> <p><i>Excludes—</i></p> <p>a. Students in the employ of a school, a college, or university if enrolled and regularly attending classes;</p> <p>b. student nurses employed by a hospital or nurses training school if enrolled and regularly attending classes;</p> <p>c. interns in the employ of a hospital if they have completed a 4-year course in an approved medical school.</p>	No change, except—
9. Newsboys.....	<p><i>Covers individuals 18 and over who deliver and distribute newspapers or shopping news, but covers individual under 18 only if they deliver or distribute such publication to points for subsequent delivery or distribution.</i></p>	Covered on the same basis as other employees of the same employer, effective as to service performed after 1965.
10. Members of the Armed Forces.	<p><i>Covers members of the uniformed services, after December 1956, while on active duty (including active duty for training), with contributions and benefits computed on basic military pay.</i></p> <p><i>Noncontributory wage credits of \$160 per month are granted, in general, for each month of active service in the Armed Forces of the United States during the World War II period (Sept. 16, 1940–July 24, 1947) and during the postwar emergency period (July 25, 1947–Dec. 31, 1956).</i></p> <p><i>Extends the noncontributory wage credits certain American citizens who, prior to Dec. 9, 1941, entered the active military or naval service of countries that, on Sept. 16, 1940, were at war with a country with which the United States was at war during World War II. Wage credits of \$160 would be provided for each month of such service performed after Sept. 15, 1940, and before July 25, 1947. To qualify for such wage credits, an individual must either have been a U.S. citizen throughout the period of his active service or have lost his U.S. citizenship solely because of his entrance into such active service. He must have resided in the United States for at least 4 years during the 5-year period ending on the day of his entrance</i></p>	No change.

11. Railroad employees-----	<p>into such active service and must have been domiciled in the United States on such day.</p> <p>Under coordination provisions contained in the Railroad Retirement Act: (1) employment under both the railroad system and the old-age and survivors insurance system is counted for purposes of survivor benefits under either system; (2) railroad employment of workers with less than 10 years of railroad service is credited under the Social Security Act and the benefits based on such employment are payable under this act; and (3) provision is made for mutual financial interchange between the 2 systems in order to place the Old-Age and Survivors Insurance and Disability Insurance Trust Funds in the same position in which they would have been if railroad service after 1936 had been counted as social security employment.</p>	
12. Family employment-----	<p><i>Excludes</i> services rendered by—</p> <p>(1) One spouse for another.</p> <p>(2) Child under 21 for his parents.</p> <p>(3) Parents for their children, if such services are domestic services rendered in the home of the child, or such services are not rendered in the course of the child's trade or business.</p>	No change.
13. Employees of Communist organizations.	<p><i>Excludes</i> from coverage employees of any organization which is registered, or against which there is a final order of the Subversive Activities Control Board to register, under the Internal Security Act as a Communist-action, a Communist-front, or Communist infiltrated organization.</p>	No change.

## II. PROVISIONS RELATING TO DISABILITY

A. Nature of the provisions:		
1. Benefits-----	<p>Provides monthly benefits for disabled workers meeting eligibility requirements. Benefits are computed in the same way as retirement benefits and are payable from the Federal Disability Insurance Trust Fund.</p>	No change.
. Disability "freeze"-----	<p>Provides that when an individual for whom a period of disability has been established dies, or retires, on account of age or disability, his period of disability will be disregarded in determining his eligibility for benefits and his average monthly wage for benefit computation purposes.</p>	No change.
B. Eligibility requirements:		
1. Definition-----	<p>For benefits or for the freeze, an individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. (For purposes of the freeze only, a specified degree of blindness is presumed disabling.) The impairment must be medically determinable and one which can be expected to be of long-continued and indefinite duration or to result in death.</p>	<p>Eliminates the requirement that a worker's disability must be expected to result in death or to be of long-continued and indefinite duration. Provides that a worker would be eligible for disability insurance benefits if he has been totally disabled for a continuous period of 6 full calendar months.</p>
2. Entitlement to other benefits---	<p>Entitlement to a benefit payable on account of old age precludes entitlement to a disability insurance benefit.</p>	<p>A person who becomes entitled before age 65 to a benefit payable on account of old age can later become entitled to disability insurance benefits. If prior benefit was a reduced benefit, disability insurance benefits would be reduced to take account of payment made for prior months.</p>

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**Title II of the Social Security Act—Continued**

**II. PROVISIONS RELATING TO DISABILITY—Continued**

Item	Existing law	H.R. 6675
<b>B. Eligibility requirements—Continued</b>		
3. Waiting period-----	An initial 6-month "waiting period" is required before disability insurance benefits will be paid. Benefits are payable for 7th month. However, benefits may be paid for the 1st full month of disability to a worker who becomes disabled within 60 months (5 years) after termination of disability insurance benefits or a period of disability.	Retains the initial 6-month "waiting period" requirement. Provides for payment of disability insurance benefits beginning with the last month of the 6-month "waiting period" rather than with the first month after the 6-month "waiting period." Provides that benefits may be paid without a "waiting period" upon subsequent disability only if applicant's prior disability lasted at least 18 calendar months, and only if the subsequent period is expected to last for at least a year or end in death.
4. Termination of Benefits-----	Provides that benefits shall not be paid after the 2d month following the month in which a worker's disability ceases.	Retains the termination provision in present law for cases of long-term disability (disability which lasts at least 18 months). Provides, in the case of disabilities which have lasted less than 18 months, for payment in the month of cessation and for only 1 additional month's benefits.
5. Insured status (work requirement).	To be eligible an individual must—(1) have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the period of disability begins; (2) be fully insured.	No change.
6. Applications-----	Provides that an individual must be under a disability when his application for a period of disability is filed.	Eliminates the requirement that an individual must be under a disability when his application for a period of disability is filed and substitutes instead the requirement that no application for a disability determination which is filed more than 12 months after the month in which a period of disability would end shall be accepted. This amendment permits payment of benefits in those cases of extended disability which terminated before an application was filed. Payment would be made only for months of disability which fall within the period of retroactivity of the application.

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**III. BENEFIT CATEGORIES**

A. Worker—old age-----	Full benefit payable at age 65 to fully insured retired worker. Payable at age 62 to fully insured retired worker, but on an actuarially reduced basis. Benefit is reduced by $\frac{1}{3}$ of 1 percent for each month worker is entitled to receive a benefit before age 65—the total reduction is 20 percent if worker begins drawing benefits at age 62. The reduced amount is permanent, continuing after worker reaches age 65.	No change.
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*Reduction where individual is entitled to a wife's benefit and an old-age benefit.*

B. Wife or dependent husband-----

In the case where a woman is entitled to a reduced old-age insurance benefit and at the same time or subsequently becomes entitled to a wife's benefit, the wife's benefit would be reduced by the dollar reduction which was applicable to the old-age benefit, plus the regular reduction amount on the excess of the unreduced wife's benefit over the unreduced old-age benefit.

A similar provision is applicable to men entitled to reduced benefit old-age and dependent husband's benefit.

A full benefit for a wife or dependent husband is 50 percent of spouse's primary benefit.

Full benefit paid at age 65. Payable at age 62 to a wife or dependent husband, but on an actuarially reduced basis. Benefit is reduced by  $\frac{25}{100}$  of 1 percent for each month prior to age 65. An individual who takes benefit at 62 receives 75 percent of full benefit.

C. Widow, widower, or parent-----

Full benefit payable at age 62 to widow, dependent widower, or surviving dependent mother or father of the insured worker.

Full benefit is 82.5 percent of deceased worker's primary benefit (75 percent each in case of 2 parents).

D. Children-----

A child's benefit is paid to child of the insured worker who has died, reached retirement age, or become disabled if the child is unmarried and either—

(a) Is under age 18, or

(b) Is under a disability which began before age 18.

No change.

No change.

Widows would be allowed to elect an actuarially reduced benefit upon attaining age 60. Benefits would be reduced by  $\frac{1}{3}$  of 1 percent for each month she is entitled to receive a benefit prior to age 62. Thus the reduction for a widow who elects a benefit when she attains age 60 would be  $13\frac{1}{3}$  percent for the 24-month period—reducing her benefit from  $82\frac{1}{2}$  percent of her husband's benefit to  $71\frac{1}{2}$  percent of his benefit.

In the case of a widow who is entitled to an old-age benefit in her own right, the old-age benefit will be reduced to take into account widow's benefits paid to her before age 62.

Effective for benefits beginning with the 2d month after the month of enactment on the basis of applications filed in or after month of enactment.

No change as to widowers and parents.

Changes the language relating to the 2d qualifying alternative to conform it to the revised definition of disability in the bill. A child will be considered to be under a disability if the disability began before he attained the age of 18 and lasted, or could be expected to last, for a continuous period of at least 6 calendar months or to result in his death.

Adds a 3d qualifying alternative:

(c) Is age 18 or over and under age 22 if he is a full-time student.

Permits a child whose benefits have terminated because he has attained age 18 to become reentitled upon filing a new application if he is a [full-time student and has not attained 22.

Provision would prevent a wife, widow, or surviving divorced mother from getting benefits if the only child in her care has attained 18 and is getting benefits solely because he is a student.

*Student and institution defined:* A full-time student is defined as an individual who is in full-time attendance as a student at an educational institution; whether or not the student was in full-time attendance would be determined by the Secretary in the light of the standards and practices of the school involved. Specifically

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

Title II of the Social Security Act—Continued

III. BENEFIT CATEGORIES—Continued

Item	Existing law	H. R. 6675
D. Children—Continued	<p>The benefit paid to a child of a retired or disabled worker is <math>\frac{1}{2}</math> of the worker's primary benefit. The benefit to the child of a deceased worker is <math>\frac{3}{4}</math> of the worker's primary benefit, except a sole surviving child is entitled to the minimum primary benefit.</p> <p>A child adopted by a worker who is already retired and getting old-age insurance benefits can become entitled to benefits without regard to whether he was dependent on the worker at the time the latter retired.</p>	<p>excluded is a person who is paid by his employer while attending school at the request of his employer. Provides for benefits for any period of 4 calendar months or less in which a person does not attend school if the person shows to the satisfaction of the Secretary that he intends to continue in full-time school attendance immediately after the end of the period, or does in fact return.</p> <p>An educational institution is defined so as to permit the payment of benefits to students taking vocational or academic courses and includes all public schools, colleges, and universities and all accredited private schools, colleges, or universities. An accredited school would be one approved by a State recognized or nationally recognized accrediting association. Also included are those nonaccredited schools, colleges, and universities whose credits are accepted, on transfer by 3 accredited institutions on the same basis as if transferred from an accredited institution.</p> <p>Effective for January 1965 on basis of applications filed in or after month of enactment.</p> <p>For children currently on rolls, no application will be required.</p> <p>In the case of a disabled child who becomes entitled on the basis of the revised requirements for disability, the effective date is the 2d month after the month of enactment.</p> <p>Child adopted by retired worker can get benefits if (1) at the time the worker became entitled to benefits the child was living with the worker or adoption proceedings had begun (2) the adoption was completed within 2 years of the time when the worker became entitled to benefits and (3) the child had been receiving <math>\frac{1}{2}</math> of his support from the worker for the entire year before the worker became entitled to old-age insurance benefits or, if the worker had a period of disability which continued until he became entitled to old-age insurance benefits, before the beginning of the period of disability.</p> <p>Effective for applications filed on or after the date of enactment.</p>
E. Divorced wife, widow-----	<p>Benefits are payable to a divorced woman only if she has a child of the deceased worker in her care and the child is getting benefits based on his deceased father's earnings, if she has not remarried, and if she had been getting at least <math>\frac{1}{2}</math> of her support from her former husband under a court order or agreement at the time of his death.</p>	<p>Effective for applications filed on or after the date of enactment.</p> <p>Wife's or widow's benefits would be payable to an aged divorced woman if she (A) had been married to her former husband for 20 years before the divorce, (B) had not remarried, and (C) met the following support requirement when her former husband became disabled, entitled to benefits or died; (1) she was receiving <math>\frac{1}{2}</math> of her support from her former husband, or (2) she was</p>

- F. "Transitional insured status" for certain workers, wives and widows aged 72 or more.
- G. Time for filing proof of support and application for lump-sum death payment.

Proof of support for husband's, widower's, and parent's benefits, and applications for lump-sum death payments must be filed within a 2-year period specified in the law with an additional 2-year period allowed where there was good cause for failure to file on time.

receiving substantial contributions from him pursuant to a written agreement, or (3) a court order for substantial contributions was in effect.

Payment of a wife's or widow's benefit to a divorced woman would not reduce the benefits paid to any other person on the same social security account and such wife's or widow's benefit would not be reduced because of other benefits payable on the same account.

Benefits for a divorced wife or a surviving divorced wife would not terminate on account of remarriage in those cases where widow's benefits under present law do not terminate—that is, where the remarriage is to a man getting benefits as a dependent widower or parent or as a disabled child aged 18 or over. If a divorced wife or a surviving divorced wife married an old-age insurance beneficiary, her benefits would terminate but she would immediately be eligible for wife's benefit on her new husband's account.

A wife's benefits would not terminate when the woman and her husband are divorced if the marriage has been in effect for 20 years.

The support requirements that must be met by a former wife divorced (renamed "surviving divorced mother" in the bill) in order to qualify for mother's benefits based on the social security account of her deceased former husband would be conformed to the new support requirements for aged divorced women.

A woman whose right to benefits as a widow, divorced wife, surviving divorced wife, or surviving divorced mother were terminated because she remarried would have her right to these benefits restored if the remarriage ends in divorce after *less than 20 years*. Effective 2d month after enactment.

(See fully insured status p 49.)

If there is good cause for failure to file in the initial 2-year period an applicant would be allowed to file at any time. Effective with respect to applications for lump-sum death payments filed in or after the month of enactment, and monthly benefits based on applications filed in or after such month.

**IV. BENEFIT AMOUNTS**

- A. Creditable earnings.....
- B. Average monthly wage.....

Maximum amount of earnings which may be credited for benefit purposes is \$4,800 a year.

In general, an individual's "average monthly wage" which determines his old-age insurance benefit amount (before reduction for retirement before age 65) is computed by dividing the total of his creditable earnings after the applicable starting date and up to the applicable closing date, by the number of months involved. Excluded from this computation are all months and all earnings in any year any part

Raises maximum amount to \$5,600 a year beginning with 1966 and to \$6,600 beginning with 1971.

No change except—

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

Title II of the Social Security Act—Continued

IV. BENEFIT AMOUNTS—Continued

Item	Existing law	H.R. 6675
B. Average monthly wage—Continued	<p>of which was included in a period of disability under the disability "freeze" (except that the months and earnings in the year in which the period of disability begins may be included if the resulting benefit would be higher).</p> <p>The average monthly wage in retirement cases is computed on the basis of a constant number of years, regardless of when, before age 22, the person started to work or when, after retirement age (62 for women, 65 for men) he files application for benefits. The number of years for a person who had at least 6 quarters of coverage after 1950 would be equal to 5 less than the number of years (excluding years in periods of disability) elapsing after 1950 or after the year in which the individual attained age 21, whichever is later, and up to the year in which the person was first eligible for old-age insurance benefits (generally the year in which he attained retirement age). In death and disability cases the number of years would be determined by the date of death or disability.</p> <p>In those cases where a larger benefit would result (because the individual's best earnings were in years before 1951) the number of years would be those elapsing after 1936, rather than 1950.</p> <p>The earnings used in the computation would be earnings in the highest years. Earnings in years prior to attainment of age 22 or after attainment of retirement age could be used if they were higher than earnings in intervening years. The span of years could never be less than 2. Generally, the span of years to be used for the benefit computation in retirement cases could not be less than 5—the number of years that would have to be used under the prior law by people who attained retirement age in 1960.</p>	<p>Worker may have average monthly wage computed entirely on years after 1950 regardless of whether he has 6 quarters of coverage after 1950, and his closing date would be the year of attainment of age 65 (62 for women) regardless of whether he is eligible (insured) in that year.</p>
C. Recomputations-----	<p>After a person has become entitled to benefits, he may, under certain circumstances, have his "average monthly wage" recomputed if it will increase his monthly benefit:</p> <p>(1) Recalculation to correct errors in original computation.</p> <p>(2) 1954 work recomputation: Where an individual who has 6 quarters of coverage after 1950 returns to work after becoming entitled to benefits and earns more than \$1,200 in a year he may have his average monthly wage recomputed including such earnings. Survivors are also entitled to any increase in benefits which would result from such recomputation.</p>	<p>Provides for automatic annual recomputation; beginning with 1965, earnings in and after the year of 1st entitlement will be taken into account regardless of whether the worker has 6 quarters of coverage after 1950, or earns over \$1,200, or files an application to have his benefits recomputed. Individuals eligible for a recomputation under present law would be deemed to have applied for such recomputation on Jan. 1, 1966 (so that it would be made automatically).</p>

(3) Dropout recomputation: Beneficiary who became entitled to benefits prior to the amendment which allowed a dropout of 5 years of lowest earnings may have a recomputation using the dropout if he has 6 quarters of coverage after June 1953. Survivors are entitled to any increases which would result from such a recomputation.

(4) Current year recomputation: An individual becoming entitled to benefits after August 1954 may have a recomputation which will include earnings in the year he retires if such earnings were not included in the original calculation. Survivors are entitled to any increases which would result from such a recomputation.

(5) Recomputation of benefits at age 65 (the "round up"): If a reduced benefit has been withheld (most common reason would be earnings which caused benefit withholding under the retirement test) for at least 3 months (during the period of reduced benefit) a person is entitled to a recomputation at age 65 which will readjust post-65 benefits to take into account the months in which the reduced benefit was withheld.

(6) Other recomputations: Provides several recomputations of limited application.

D. Benefit formula-----

The law provides a consolidated benefit table which is used in determining benefit amounts for both future beneficiaries and those now on the benefit rolls.

Though not specifically stated in the law the formula for the primary insurance amount is, in effect, 58.85 percent of the 1st \$110 of the average monthly wage, plus 21.40 percent of the next \$290 of such wage (except that in some cases, for average monthly wages under \$85, a slightly higher amount is payable so as to fit in with the minimum benefit).

E. Maximum primary insurance amount---

\$127 a month (\$400 average monthly wage).

F. Minimum primary insurance amount---

\$40 a month.

G. Maximum family benefits-----

Family maximum monthly benefits are set by the table and range from \$53 to \$254. Though not specifically stated in the law, the maximum family benefit shown in the benefit table is 1½ times the primary insurance amount or approximately 80 percent of the average monthly wage, whichever is larger, up to an absolute maximum of \$254—twice the maximum primary insurance amount of \$127.

Provision also made applicable at age 62 to reduced benefits for widows who were aged 60-61 at time of claim.

The existing benefit table is amended so as to increase all primary insurance amounts by 7 percent, with a \$4 guaranteed minimum increase.

The existing benefit table is replaced by a new benefit table to reflect the annual earnings base of \$5,600 effective in 1966 and a revision of the table, effective in 1971, is provided to reflect the annual earnings base of \$6,600 effective in that year. For average monthly wages above \$400, primary insurance amounts are derived by applying the benefit formula underlying the present table and adding \$8.90, the same amount of increase provided for persons with the present maximum average monthly wage of \$400.

The formula underlying the new benefit tables is approximately 62.97 percent of the 1st \$110 of the average monthly wage, plus 22.9 percent of the next \$290, plus 21.4 percent of the next \$150.

Increases to \$135.90 (\$400 average monthly wage) and eventually to \$167.90 (\$550 average monthly wage).

Increases minimum benefit to \$44 per month.

Family maximum benefits will range from \$66 to a maximum of \$312 under the \$5,600 table, and to a maximum of \$368 under the \$6,600 table. Although not specifically stated in the bill, the formula used to determine the maximum family benefit shown in col. V of the new benefit tables is the larger of (a) 1½ times the primary insurance amount or (b) approximately 80 percent of the average monthly wage up to the point at which the average monthly wage is ¾ of the maximum possible average monthly wage, plus 40 percent of the remainder. The maximum benefits payable to a family would be related to the worker's average monthly wage at every

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**Title II of the Social Security Act—Continued**

**IV. BENEFIT AMOUNTS—Continued**

Item	Existing law	H.R. 6675
G. Maximum family benefits—Continued		average monthly wage bracket in the benefit table. The maximum payable to a family now on the benefit rolls would be \$286.80 (based on an average monthly wage of \$400). At the maximum average monthly wage levels of \$466 (under the \$5,600 base), and \$550 (under the \$6,600 base), the maximum family benefit would be about 2/3 of the average monthly wage. Effective for monthly benefits beginning with January 1965; effective for lump-sum death payment where death occurs in or after month of enactment.
H. Lump-sum death payment.....	3 times the primary insurance amount with a statutory maximum of \$255.	No change.
I. Illustrative monthly benefits.....		

*Illustrative benefits payable under present law and H.R. 6675 based on \$5,600 earnings base*

Average monthly wage	Old-age benefits <sup>1</sup>				Survivors benefits				
	Worker		Man and wife <sup>2</sup>		Widow aged 62, widower, or parent		Widow aged 60 <sup>3</sup>	Widow and 2 children	
	Present law	Bill	Present law	Bill	Present law	Bill	Bill	Present law	Bill <sup>4</sup>
\$67 or less.....	\$40.00	\$44.00	\$60.00	\$66.00	\$40.00	\$44.00	\$38.20	\$60.00	\$66.00
\$100.....	59.00	63.20	88.50	94.80	48.70	52.20	45.30	88.50	94.80
\$150.....	73.00	78.20	109.50	117.30	60.30	64.60	56.00	120.00	120.00
\$200.....	84.00	89.90	126.00	134.90	69.30	74.20	64.40	161.70	161.70
\$250.....	95.00	101.70	142.50	152.60	78.40	83.90	72.80	202.50	202.50
\$300.....	150.00	112.40	157.50	168.60	86.70	92.80	80.50	236.40	240.00
\$350.....	116.00	124.20	174.00	186.30	95.70	102.50	88.90	254.10	266.10
\$400.....	127.00	135.90	190.50	203.90	104.80	112.20	97.30	254.10	286.80
\$466.....	( <sup>5</sup> )	149.90	( <sup>5</sup> )	224.90	( <sup>5</sup> )	123.70	107.30	( <sup>5</sup> )	312.00

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<sup>1</sup> Worker aged 65 or over at time of retirement, and wife aged 65 or over at the time when she comes on the rolls.

<sup>2</sup> Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as for a man and wife.

<sup>3</sup> Not applicable under present law.

<sup>4</sup> For families on the benefit roll in the month after the month of enactment.

ment who are affected by the maximum-benefit provisions, the amounts payable under the bill would, in some cases, be somewhat higher than those shown here (namely, for the cases where the average monthly wages are \$150 through \$350).

<sup>5</sup> Not applicable since maximum average monthly wage possible is \$400.

V. FULLY INSURED STATUS

Item	Present law	H.R. 6675																																								
	<p>To be fully insured an individual must have either—</p> <p>(1) 40 quarters of coverage; or</p> <p>(2) 1 quarter of coverage (acquired at any time after 1936) for every year elapsing after 1950 (or after the year in which he attained age 21, if that was later) and up to the year of disability, death, or attainment of age 65 for men (62 for women), but with a minimum of 6 quarters of coverage; or</p> <p>(3) 6 quarters of coverage if individual died before 1951.</p>	<p>No change in regular provision but adds a new concept of—</p> <p><i>Transitional insured status worker</i>—Adds a provision for a special insured status for individuals who have attained 72 so that the 6-quarter minimum is reduced to 3 quarters. The following chart shows the “transitional” requirement for workers as compared with the regular requirement of existing law:</p> <table border="1" data-bbox="1285 495 1850 738"> <thead> <tr> <th rowspan="2">Year of attainment of retirement age 62 (for women) or age 65 (for men)</th> <th colspan="2">Required quarters</th> </tr> <tr> <th>Existing law</th> <th>Proposed</th> </tr> </thead> <tbody> <tr> <td>1954 and earlier.....</td> <td>6</td> <td>3</td> </tr> <tr> <td>1955.....</td> <td>6</td> <td>4</td> </tr> <tr> <td>1956.....</td> <td>6</td> <td>5</td> </tr> <tr> <td>1957.....</td> <td>6</td> <td>6</td> </tr> </tbody> </table> <p>A worker who meets the above requirements (including attainment of 72) will be paid a benefit of \$35 a month, and his wife a benefit of \$17.50 at age 72 if she has attained age 72 before 1969.</p> <p>Widow's benefits would be payable at age 72 to a woman who reached age 72 before 1969 if her husband was living when the transitional provision became effective and if he met the work requirements of the provision. A widow who reached age 72 before 1969 but whose husband died before the transitional provision became effective could qualify if her husband had attained age 65 or died before 1957 and if he had a specified number of quarters of coverage as shown in the following table:</p> <table border="1" data-bbox="1264 1059 1850 1298"> <thead> <tr> <th rowspan="2">Year of husband's death (or attainment of age 65, if earlier)</th> <th rowspan="2">Quarters of coverage required under present law</th> <th colspan="3">Quarters of coverage required if the widow attains age 72—</th> </tr> <tr> <th>In 1966 or before</th> <th>In 1967</th> <th>In 1968</th> </tr> </thead> <tbody> <tr> <td>1954 or before...</td> <td>6</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>1955.....</td> <td>6</td> <td>4</td> <td>4</td> <td>5</td> </tr> <tr> <td>1956.....</td> <td>6</td> <td>5</td> <td>5</td> <td>5</td> </tr> </tbody> </table> <p>Upon attaining age 72, an eligible widow will be paid a monthly benefit of \$35.</p> <p>Effective for monthly benefits for and after the 2d month following the month of enactment.</p>	Year of attainment of retirement age 62 (for women) or age 65 (for men)	Required quarters		Existing law	Proposed	1954 and earlier.....	6	3	1955.....	6	4	1956.....	6	5	1957.....	6	6	Year of husband's death (or attainment of age 65, if earlier)	Quarters of coverage required under present law	Quarters of coverage required if the widow attains age 72—			In 1966 or before	In 1967	In 1968	1954 or before...	6	3	4	5	1955.....	6	4	4	5	1956.....	6	5	5	5
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**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**Title II of the Social Security Act—Continued**

**VI. RETIREMENT TEST**

Item	Present law	H.R. 6675
A. Scope.....	Applies to covered as well as noncovered work.	Excludes royalties received at or after age 65 on works copyrighted or patented before age 65. Effective for taxable years beginning after 1964.
B. Test of earnings.....	Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent 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. Benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$100 nor rendered substantial services in a trade or business.	Increases the uppermost limit of the \$1-for-\$2 "band" from \$1,700 to \$2,400 so that \$1 in benefits would be withheld for each \$2 of earnings between \$1,200 and \$2,400, with \$1 for \$1 reductions above \$2,400. Effective for taxable years ending after 1965.
C. Age exemption.....	Benefits are not suspended because of work or earnings if beneficiary is age 72 or over.	

**VII. FINANCING**

A. Allocation between trust funds.....	<p>The Federal Old-Age and Survivors Insurance Trust Fund receives all tax contributions other than those allocated for the disability benefit program, from which benefits and administrative expenses are paid for the old-age and survivors insurance program.</p> <p>The Federal Disability Insurance Trust Fund receives an amount equal to ½ of 1 percent of taxable wages plus ¾ of 1 percent of self-employment income, from which benefit and administrative expenses are paid for the disability insurance program.</p> <p>These funds are administered by a Board of Trustees consisting of the Secretary of the Treasury, as managing trustee, the Secretary of Labor and the Secretary of Health, Education, and Welfare, all ex officio (with the Commissioner of Social Security as Secretary).</p>	Increases the allocation to the Disability Insurance Trust Fund, for years beginning after 1965, to ¼ of 1-percent of taxable wages and ⅙ of 1-percent of taxable self-employment income.
B. Maximum table amount.....	\$4,800 a year.	\$5,600 a year starting with 1966 and \$6,600 starting with 1971.
C. Tax rate for self-employed.....	<p>Taxable years beginning in—</p> <p>1966-67..... 6.2</p> <p>1968 and thereafter..... 6.9</p>	<p>Taxable years beginning in—</p> <p>1966-68..... 6.0</p> <p>1969-72..... 6.6</p> <p>1973 and thereafter..... 7.0</p>
D. OASDI tax rate for employees and employers (each).	<p>Calendar years:</p> <p>1966-67..... 4.125</p> <p>1968 and thereafter..... 4.625</p>	<p>Calendar years:</p> <p>1966-68..... 4.0</p> <p>1969-72..... 4.4</p> <p>1973 and thereafter..... 4.8</p>

E. Reimbursement of the trust funds for the cost of noncontributory military service credits.	Amounts to cover the costs incurred through June 30, 1956, were to have been appropriated to the trust funds from general revenue over the 10 fiscal years ending June 30, 1969; costs incurred after June 30, 1956, were to have been appropriated to the trust funds annually.	The trust funds would be reimbursed by a level annual appropriation starting with fiscal year 1966 that would amortize both the accumulated backlog and the additional amounts that will accrue through fiscal year 2015, and by annual appropriations thereafter.
F. Railroad retirement tax.....	The Railroad Retirement Tax Act provides that the railroad tax will automatically adjust in the same amount, and at the same time, to any change in the OASDI tax rate after 1954.	No change.

**VIII. MISCELLANEOUS**

A. Advisory Council on Social Security....	Councils are to be appointed in 1966 and every 5th year thereafter to review the financing of the program and submit reports to the Board of Trustees for inclusion in the annual Trustees' report to the Congress. Members are to represent employees and employers in equal numbers and the self-employed and the general public and can be paid up to \$50 per day.	Councils would be appointed in 1968 and every 5th year thereafter to review all aspects of the program (including the new hospital and supplementary health insurance programs) and submit reports to the Secretary of Health, Education, and Welfare for transmittal to the Congress and the Board of Trustees. Members are to represent <i>organizations</i> of employees and employers in equal numbers and the self-employed and the general public and could be paid up to \$100 a day.
B. Board of Trustees.....	The Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are required to meet at least once every 6 months.	The Board of Trustees would be required to meet at least once every calendar year.

**MEDICAL EXPENSE DEDUCTION FOR INCOME TAX PURPOSES**

Item	Present law	H.R. 6675
<p>I. Character of deduction:            A. General-----            B. Taxpayers age 65 or over-----</p>	<p>Medical expenses are deductible from adjusted gross income and thus are allowable only if the taxpayer itemizes his deductions.            Different, more generous rules apply if the taxpayer or his spouse is age 65 or over.</p>	<p>No change.             All distinctions based on age of the taxpayer or his spouse are eliminated.</p>
<p>II. 3-percent and 1-percent limits-----</p>	<p>For a taxpayer under age 65 medical expenses are deductible only to the extent they exceed 3 percent of his adjusted gross income. Expenses for medicines and drugs are included in medical expenses (subject to the 3-percent limit) but only to the extent that these expenses exceed 1 percent of the taxpayer's adjusted gross income. Neither of these limits apply, however, if the taxpayer or his spouse is age 65 or over, nor do they apply with respect to a dependent parent (of the taxpayer or his spouse) who is 65 or over. Their medical expenses and the cost of drugs and medicines for them are immediately deductible.</p>	<p>Limits the deduction for medical expenses for taxpayers (or dependent parents) who are age 65 or over to amounts in excess of 3 percent of adjusted gross income and limits the amount of medicine and drug expenses which may be included in medical expenses (subject to the 3-percent limit) to costs in excess of 1 percent of adjusted gross income. (Conforms the treatment of those age 65 or over with the rules presently applicable to taxpayers and dependents under age 65.)</p>
<p>III. Medical care insurance premiums:            A. Deduction-----            B. Definition-----</p>	<p>Premiums for "accident or health insurance" treated as a medical expense subject to the 3-percent limit (described in II above) in the case of taxpayers under age 65, or deductible immediately if taxpayer or his spouse (or a dependent parent) is 65 or over.             The term "medical care" is defined to include amounts paid for "accident or health insurance." Although the Internal Revenue Service position is that premiums are treated as medical expenses only to the extent they relate to medical benefits, some courts have interpreted "accident or health insurance" more broadly to include in the premium amounts paid to provide indemnity for loss of life, limb, sight, or time.</p>	<p>Premiums for "insurance which constitute medical care" are deductible as follows:            (1) One-half of such premiums, but not more than \$250 per year is deductible immediately, and            (2) The remaining one-half is included in medical care expenses subject to the 3-percent floor.            The definition of "medical care" is narrowed to prevent the deduction of premiums for insurance not related to medical benefits. If the policy provides both medical and nonmedical benefits only the portion of the premium separately stated to be for medical benefits is allowable, and then only if the amount is reasonable.            It is made certain that the \$3 per month premium for Supplementary Health Insurance Benefits for the Aged under part B of new title XVIII is allowable as a medical care expense.            It is also made clear that premiums for prepaid medical benefits to become effective at age 65 (payable on a level premium basis) are treated as medical care expenses if the period of prepayment covers at least 10 years (5 years if the taxpayer becomes age 65 during the period of prepayment).</p>
<p>IV. Overall limit in case of disabled taxpayers.</p>	<p>Deductions for medical expenses may not exceed \$10,000 if the taxpayer is single or if he files a separate return. On a joint return (or return of a head of household or surviving spouse) the deduction may not exceed \$20,000. But if the taxpayer or his spouse is both (a) age 65 or over, and (b) disabled, these limits are doubled to \$20,000 if one spouse qualifies and \$40,000 if both qualify.</p>	<p>The overall limit on deductions of medical care expenses is doubled in the case of disabled taxpayers (and their disabled wives), without regard to the fact that they may not have attained age 65—\$20,000 if one is disabled and \$40,000 if both are disabled. (Conforms the treatment of disabled taxpayers [and wives] who are under age 65 with the rules presently available for those who are 65 or over.)</p>

V. Revenue impact-----

VI. Effective date-----

Applying the 3-percent and 1-percent limits to those age 65 or over increases revenues by about \$170 million. On the other hand, the broader deduction for medical insurance premiums reduces revenues by about \$88 million. The net effect of the changes is to increase revenues by about \$82 million.

    Taxable years beginning after December 31, 1966.



**COMMITTEE ON FINANCE  
UNITED STATES SENATE**  
Harry Flood Byrd, *Chairman*

**BRIEF SUMMARY OF MAJOR PROVISIONS OF AND  
DETAILED COMPARISON SHOWING CHANGES  
MADE IN EXISTING LAW BY H.R. 6675  
AS REPORTED BY THE COMMITTEE  
ON FINANCE**

**COMMITTEE ON FINANCE**

HARRY FLOOD BYRD, Virginia, *Chairman*

RUSSELL B. LONG, Louisiana

GEORGE A. SMATHERS, Florida

CLINTON P. ANDERSON, New Mexico

PAUL H. DOUGLAS, Illinois

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THRUSTON B. MORTON, Kentucky

EVERETT MCKINLEY DIRKSEN, Illinois

ELIZABETH B. SPRINGER, *Chief Clerk*

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**BRIEF SUMMARY OF H.R. 6675, THE SOCIAL SECURITY  
AMENDMENTS OF 1965**

**A. HEALTH INSURANCE AND MEDICAL CARE**

The bill provides three programs for health insurance and medical care for the aged under the Social Security Act by establishing—

1. A *basic hospital insurance plan* providing inpatient services, related posthospital care (skilled nursing home and home health visits), and outpatient diagnostic services for individuals 65 or older who are eligible for social security benefits. These benefits would be financed through a separate payroll tax and separate trust fund. Similar benefits would be provided for railroad retirement eligibles through their system, if certain financing conditions are met.

Also, benefits would be provided to currently aged people who are not social security or railroad retirement beneficiaries. They would be financed from general revenues.

*Effective date.*—Benefits would be first effective on July 1, 1966, except for services in extended care facilities which would be effective on January 1, 1967. (See pp. 16, 17.)

2. A *voluntary "supplementary" plan*, providing physicians' and other medical and health services financed through monthly premiums of \$3 initially by individuals 65 years or older (which would be deducted from the social security benefit of beneficiaries who elect participation), matched equally by Federal Government revenue contributions.

*Effective date.*—Benefits would be first effective beginning January 1, 1967. (See pp. 18, 19.)

3. An *expanded Kerr-Mills medical care program*, for the needy and medically needy would, at the option of State, combine all the vendor medical provisions for the aged, blind, disabled, and families with dependent children, now in five titles of the Social Security Act, under a uniform program (with an increase in the Federal share matching formula) in a single new title with certain prescribed Federal standards.

*Effective date.*—Matching under new title (XIX) will be available January 1, 1966. (See pp. 19-21, 22-29.)

**B. CHILD HEALTH AND WELFARE AMENDMENTS**

1. *Maternal and child health, crippled children, and child welfare authorization.*—The amount authorized for the maternal and child health and crippled children's programs over current authorizations would be increased by \$5 million for fiscal 1966 and by \$10 million in each succeeding fiscal year as follows:

Fiscal year	Existing law	Under bill
1966.....	\$40,000,000	\$45,000,000
1967.....	40,000,000	50,000,000
1968.....	45,000,000	55,000,000
1969.....	45,000,000	55,000,000
1970 and after..... (See pp. 37, 38.)	50,000,000	60,000,000

A provision has been added to bring authorizations for child welfare services in line with those for the other two programs. (See p. 39.)

2. *Crippled children training personnel.*—Grants are provided to institutions of higher learning for training professional personnel for health and related care for crippled children, particularly children who are mentally retarded or have multiple handicaps. Authorizes \$5 million for fiscal 1967, \$10 million for fiscal 1968, and \$17.5 million for each succeeding fiscal year. (See p. 38.)

3. *Health care for needy children.*—The Secretary of Health, Education, and Welfare is authorized to carry out a 5-year program of special project grants to provide comprehensive health care and services for preschool or school-age children, particularly in areas with concentrations of low-income families. An appropriation of \$15 million is authorized for fiscal 1966; \$35 million for fiscal 1967, and an additional \$5 million for each succeeding year rising to \$50 million for fiscal 1970. Also, an additional \$5 million is authorized for fiscal years 1968, 1969, and 1970 to cover the cost of special grants for children who are or are in danger of becoming emotionally disturbed. An authorization of \$500,000 for fiscal 1966 and 1967 is made for grants for studies as to prevention, diagnosis, and treatment of emotionally disturbed children. (See p. 41.)

4. *Mental retardation planning.*—Grants totaling \$2,750,000 for each of 2 fiscal years (1966 and 1967) are authorized for the purpose of assisting States to implement and follow up on planning for treatment of mental retardation authorized under section 1701 of the Social Security Act. (See p. 42.)

### C. PUBLIC ASSISTANCE

1. *Increased assistance payments.*—The Federal share of payments under all State public assistance programs is increased a little more than an average of \$2.50 a month for the needy aged, blind and disabled and an average of about \$1.25 for needy children, effective January 1, 1966. This is brought about by revising the matching formula for the needy aged, blind, and disabled (and for the adult categories in title XVI) to provide a Federal share of \$31 out of the first \$37 (now twenty-nine thirty-fifths of the first \$35) with matching above this amount varying according to State per capita income up to a maximum of \$75 (now \$70) per month per individual on an average basis. The bill revises matching formula for aid to families with dependent children so as to provide a Federal share of five-sixths of the first \$18 (now fourteen-seventeenths of the first \$17) with matching above this amount varying according to State per capita income up to a maximum of \$32 (now \$30). A provision is included so that States will not receive additional Federal funds except to the extent they pass them on to individual recipients. (See pp. 30, 31.)

2. *Tubercular and mental patients.*—The exclusion from Federal matching in old-age assistance and medical assistance for the aged programs (and for combined program, title XVI) is removed as to aged individuals who are patients in institutions for tuberculosis or mental diseases or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. As a condition of Federal participation in such payments to, or for, mental patients it is required that certain agreements and arrangements assure that better care results from the additional Federal money. States will receive no more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs. Also restrictions as to Federal matching for needy blind and disabled who are tubercular or psychotic and are in general medical institutions are removed. Effective January 1, 1966. (See pp. 33, 34.)

3. *Protective payments.*—A provision is added for protective payments to third persons on behalf of old-age assistance recipients (and recipients on combined title XVI program), recipients of aid to the blind, and recipients of aid to the permanently and totally disabled unable to manage their money because of physical or mental incapacity. Effective January 1, 1966. (See p. 35.)

4. *Aid to families with dependent children in school.*—The optional provision of the States to continue making payments to dependent children who have

attained age 18 but continue in school up to age 21 is extended. The provision in present law allowing such payments for children in regular attendance at a high school or vocational school is extended to include attendance at a college or university. (See p. 36.)

5. *Income exemptions under public assistance.*—The following income exemptions would be provided:

(a) *Old-age assistance*

The earnings exemption under the old-age assistance program (and aged in combined program) is increased so that a State may, at its option, exempt the first \$20 (now \$10) and one-half of the next \$60 (now \$40) of a recipient's monthly earnings. (See p. 32.)

(b) *Aid to families with dependent children*

At their option, States are allowed to disregard up to \$50 per month of earned income of any three dependent children under the age of 18 in the same home. (See p. 33.)

(c) *Aid to the permanently and totally disabled*

States, at their option, can exempt earnings of recipients of aid to the permanently and totally disabled. As in the case of the aged, the first \$20 per month of earnings and one-half of the next \$60 could be exempted. In addition, any additional income and resources could be exempted as part of an approved plan to achieve self-support during the time the recipient was undergoing vocational rehabilitation. (See p. 33.)

(d) *Old-age and survivors insurance (retroactive increase)*

States would be allowed to disregard so much of the OASDI benefit increase (including the children in school after 18 modification) as is attributable to its retroactive effective date. (See p. 33.)

(e) *Economic Opportunity Act earning exemption*

A grace period is provided for action by States that have not had regular legislative sessions, whose public assistance statutes now prevent them from disregarding earnings of recipients received under titles I and II of the Economic Opportunity Act. (See p. 35.)

(f) *Income exempt under another assistance program*

A provision is added stipulating that any amount of income which is disregarded in determining eligibility for a person under one of the public assistance programs shall not be considered in determining the eligibility of another individual under any other public assistance program. (See p. 35.)

6. *Definition of medical assistance for aged.*—The definition of medical assistance for the aged is modified so as to allow Federal sharing as to old-age assistance recipients for the month they are admitted to or discharged from a medical institution. (See p. 35.)

7. *Judicial review of State plan denials.*—The bill provides for judicial review of the denial of approval by the Secretary of Health, Education, and Welfare of State public assistance plans and of his action under such programs or noncompliance with State plan conditions in the Federal law. (See pp. 35, 36.)

## D. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

### 1. BENEFIT CHANGES

(a) *7-percent across-the-board increase in old-age, survivors, and disability insurance benefits*

A 7-percent across-the-board benefit increase is provided, effective retroactively beginning with benefits for January 1965, for the 20 million social security beneficiaries on the rolls (with a guaranteed \$4 a month minimum increase for retired workers who are age 65 or over in the first month for which they are paid the increased benefit).

Monthly benefits for workers who retire at or after 65 would be increased to a new minimum of \$44 (now \$40) and to a new maximum of \$135.90

(now \$127). In the future, creditable earnings under the increase in the contribution and benefit base to \$6,600 a year (now \$4,800) would make possible a maximum benefit of \$168.

The maximum amount of benefits payable to a family on the basis of a single earnings record would be related to the worker's average monthly earnings at all earnings levels. Under present law, there is a \$254 limit on family benefits which operates over a wide range of average monthly earnings. Under the bill the highest family maximum would be \$368. (See p. 57.)

*(b) Payment of child's insurance benefits to children attending school or college after attainment of age 18 and up to age 22*

A provision adopted by both House and Senate last year is included which would continue to pay a child's insurance benefit until the child reaches age 22, provided the child is attending a public or an accredited school, including a vocational school or a college, as a full-time student after he reaches age 18. Children of deceased, retired, or disabled workers would be included. No mother's or wife's benefits would be payable if the only child in the mother's care is one who has attained age 18 but is in school.

This provision will be retroactively effective to January 1, 1965. It is estimated that 295,000 children will be eligible for benefits for September 1965, when the school year begins. (See p. 53.)

*(c) Benefits for widows at age 60*

An option to widows of receiving benefits beginning at age 60, is provided with the benefits payable to those who claim them before age 62 being actuarially reduced to take account of the longer period over which they will be paid. Under present law, full widow's benefits and actuarially reduced worker's and wife's benefits are payable at age 62.

This provision, adopted by both Houses of Congress last year, would be effective for the second month after the month of enactment. It is estimated that 185,000 widows will claim benefits during the first year of operation under this provision. (See p. 52.)

*(d) Amendment of disability program*

*(i) Definition of disability.*—The present requirement that a worker's disability must be expected to be of long continued and indefinite duration would be eliminated and instead the bill provides that an insured worker would be eligible for disability benefits if he has been under a disability which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 calendar months. Benefits payable by reason of this change would be paid for the second month following the month of enactment. An estimated 60,000 persons—disabled workers and their dependents—will become immediately eligible for benefits as a result of this change. (See p. 51.)

*(ii) Disability benefits offset provision.*—The social security disability benefit for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in national average earnings levels. The offset provision will be applicable with respect to benefits payable for months after December 1965 based on applications filed after December 1965. (See p. 52.)

*(iii) Benefits for children disabled before reaching age 22.*—A child who is disabled before reaching age 22 (rather than before age 18 as in present law) would be eligible for disabled child's benefits should his parent die, become disabled or retire. The mother of the child would also be eligible for benefits so long as she continued to have the child in her care. Effective as to benefits for the second month following the month of enactment, an estimated 20,000 persons—disabled children and their mothers—will become immediately eligible for benefits as a result of this change. (See p. 53.)

(iv) *Facilitating disability determinations.*—The Secretary is authorized to make determinations of disability or cessation of disability where medical and other information supplied or designated by the individual, or evidence of remunerative work activities, indicate clearly that the individual is under a disability or that the disability has ceased. (See p. 51.)

(v) *Rehabilitation services.*—State vocational rehabilitation agencies will be reimbursed from the social security trust funds for the cost of rehabilitation services furnished to individuals who are entitled to disability insurance benefits or to a disabled child's benefits. The total amount of the funds that could be made available from the trust funds for purposes of reimbursing State agencies for such services could not, in any year, exceed 1 percent of the social security disability benefits paid in the previous year. (See p. 51.)

(vi) *Entitlement to disability benefits after entitlement to benefits payable on account of age.*—A person who becomes entitled before age 65 to a benefit payable on account of old age could later, before he reaches age 65, become entitled to disability insurance benefits. (See p. 51.)

(vii) *Allocation of contribution income between OASI and DI trust funds.*—An additional 0.2 percent of taxable wages and 0.15 percent of taxable self-employment income would be allocated to the disability insurance trust fund, bringing the total allocation to 0.70 percent and 0.525 percent, respectively, beginning in 1966. (See p. 60.)

(e) *Benefits to certain persons at age 72 or over*

Eligibility requirements would be liberalized by providing a basic benefit of \$35 at age 72 or over to certain persons with a minimum of three quarters of coverage acquired at any time since the beginning of the program in 1937. To accomplish this, a new concept of "transitional insured status" is provided. Present law requires a minimum of six quarters of coverage in employment or self-employment. These provisions were approved by the House and Senate last year.

They would become effective for the second month after the month of enactment, at which time an estimated 355,000 people would be able to start receiving benefits. (See p. 50.)

(f) *Retirement test*

The retirement test provision in present law is liberalized. Under existing law, the first \$1,200 a year is fully exempted, and there is a \$1 reduction in benefits for each \$2 of annual earnings between \$1,200 and \$1,700 and of \$1 for each \$1 of earnings thereafter. Under the bill, the first \$1,800 a year would be fully exempted and there would be a \$1 reduction in benefits for each \$2 of earnings between \$1,800 and \$3,000 and of \$1 for each \$1 of earnings thereafter. In addition, the amount of earnings a beneficiary may have in a month and get full benefits for that month regardless of his annual earnings would be raised from \$100 to \$150. These changes are effective for taxable years ending after 1965.

Certain royalties received in or after the year in which a person reaches age 65, from copyright and patents obtained before age 65, are exempted from being counted as earnings for purposes of the retirement test, effective for taxable years beginning after 1964.

For 1966, an estimated 850,000 persons—workers and dependents—either will receive more benefits under these provisions than they would receive under present law, or will receive some benefits where they would receive no benefits under present law. (See p. 60.)

(g) *Wife's and widow's benefits for divorced women*

Payments of wife's or widow's benefits are authorized to the divorced wife of a retired, deceased, or disabled worker if she had been married to the worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by a court to make) a substantial contribution to her support when he became entitled to benefits, became disabled, or died. H.R. 6675 would also provide that a wife's benefits would not terminate when the woman and her husband are divorced if the marriage has been in effect

for 20 years. Provision is also made for the reestablishment of benefit rights for a divorced wife, a widow, or a surviving divorced wife who remarries and the subsequent marriage ends in divorce, annulment, or in the death of the husband. (See p. 54.)

(h) *Continuation of widow's and widower's insurance benefits after remarriage*

Under present law, a widow's and widower's benefits based on a deceased worker's social security earnings record generally stop when the survivor remarries, with the result that some widows who would like to remarry do not do so because if they did they would lose their social security benefits. The bill provides that benefits would be payable to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit would be equal to 50 percent of the primary insurance amount of the deceased spouse rather than 82½ percent of that amount, which is payable to widows and widowers who are not remarried. (See p. 54.)

(i) *Adoption of child by retired worker*

The provisions relating to the payment of benefits to children who are adopted by old-age insurance beneficiaries are changed to require that, where the child is adopted after the worker becomes entitled to an old-age benefit, (1) the child must be living with the worker (or adoption proceedings have begun) in or before the month when application for old-age benefits is filed; (2) the child must be receiving one-half of his support for the entire year before the worker's entitlement; and (3) the adoption must be completed within 2 years after the worker's entitlement. (See p. 54.)

(j) *Definition of child*

A child would be paid benefits based on his father's earnings without regard to whether he has the status of a child under State inheritance laws if the father was supporting the child or had a legal obligation to do so. Under present law, whether a child meets the definition for the purpose of getting child's insurance benefits based on his father's earnings depends on the laws applied in determining the devolution of intestate personal property in the State in which the worker is domiciled. It is estimated that 20,000 individuals (children and their mothers) will become immediately eligible for benefits under this provision. (See p. 54.)

## 2. COVERAGE CHANGES

The following coverage provisions were included:

(a) *Physicians and interns*

Self-employed physicians would be covered for taxable years ending on or after December 31, 1965. Interns would be covered beginning on January 1, 1966. (See p. 43.)

(b) *Farmers*

Provisions of existing law with respect to the coverage of farmers would be amended to provide that farm operators whose annual gross earnings are \$2,400 or less (instead of \$1,800 or less as in existing law) can report either their actual net earnings or 66⅔ percent (as in present law) of their gross earnings. Farmers whose annual gross earnings are over \$2,400 would report their actual net earnings if over \$1,600, but if actual net earnings are less than \$1,600, they may instead report \$1,600. (Present law provides that farmers whose annual gross earnings are over \$1,800 report their actual net earnings if over \$1,200, but if actual net earnings are less than \$1,200, they may report \$1,200.) (See pp. 43, 44.)

(c) *Cash tips*

Cash tips received by a worker would be covered as self-employment income. Effective as to taxable years beginning after December 31, 1965. (See p. 45.)

*(d) State and local government employees*

Several changes would facilitate social security coverage of additional employees of State and local governments. (See pp. 45-47.)

*(e) Exemption of certain religious sects*

Members of certain religious sects who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of such sects could be exempt from the social security tax on self-employment income upon application accompanied by a waiver of benefit rights. (See p. 43.)

*(f) Nonprofit organizations*

Nonprofit organizations, and their employees who concur, could elect social security coverage effective retroactively for a period up to 5 years (rather than 1 year, as under present law). Also, wage credit could be given for the earnings of certain employees of nonprofit organizations who were erroneously reported for social security purposes. (See pp. 47, 48.)

*(g) District of Columbia employees*

The bill provides for social security coverage of certain employees of the District of Columbia (primarily substitute schoolteachers). (See p. 48.)

*(h) Ministers*

Social security credit could be obtained for the earnings of certain ministers which were reported but which cannot be credited under present law. (See p. 43.)

## 3. MISCELLANEOUS

*(a) Filing of proof*

The period of filing of proof of support for dependent husband's, widower's, and parent's benefits, and for filing application for lump-sum death payments where good cause exists for failure to file within the initial 2-year period, is extended indefinitely. (See p. 55.)

*(b) Automatic recomputation of benefits*

The benefits of people on the rolls would be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year and that would increase his benefit amount. Under existing law there are various requirements that must be met in order to have benefits recomputed, including filing of an application and earnings of over \$1,200 a year after entitlement. (See p. 56.)

*(c) Military wage credits*

The present provision authorizing reimbursement of the trust funds out of general revenue for gratuitous social security wage credits for servicemen is revised so that such payments will be spread uniformly over the next 50 years. (See p. 60.)

*(d) Extension of life of applications*

The bill liberalizes the requirement in existing law that an application for monthly insurance benefits be valid for only 3 months after the date of filing, and for disability benefits 3 months before the beginning of the waiting period. The bill would allow an application to remain valid up until the time the Secretary makes a final decision on the application. (See p. 51.)

*(e) Overpayments and underpayments*

Changes in the provisions of law relating to overpayments and underpayments would be made to facilitate the recovery of overpayments and to provide specific authority, lacking in present law, for the Secretary to settle all underpayments of benefits. (See p. 61.)

*(f) Authorization for one spouse to cash a joint check*

The Secretary would be authorized to make a temporary overpayment so as to permit a surviving spouse to cash a benefit check issued jointly to a

husband and wife if one of them dies before the check is negotiated; any overpayment resulting from the cashing of the joint check would be recovered. (See p. 61.)

(g) *Attorney's fees*

The bill incorporates a provision which would permit a court that renders a judgment favorable to a claimant in an action arising under the social security program to set a reasonable fee (not in excess of 25 percent of past due benefits which become payable by reason of the judgment) for an attorney who successfully represented the claimant. The Secretary would be permitted to certify payment of the fee to the attorney out of such past due benefits. (See p. 61.)

(h) *Tax on certain corporations*

The bill provides that when an employee works for a corporation which is a member of an affiliated group of corporations and is then transferred to another corporation which is a member of such group, the total employer social security tax payable by the two corporations for the years in which the employee is transferred will not exceed the amount that would be paid by a single corporation. (Under present law, such treatment is provided for the employee.) (See p. 61.)

(i) *Waiver of 1-year marriage requirement*

The bill provides an exception to the 1-year duration requirement as to social security benefits for any widow, wife, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child. (See p. 54.)

## E. MISCELLANEOUS PROVISIONS

### 1. OPTOMETRISTS

The bill provides that as to all titles of Social Security Act that whenever payment is authorized for services which an optometrist is licensed to perform, the beneficiary shall have the freedom to obtain the services of either a physician skilled in diseases of the eye or an optometrist, whichever he may select.

### 2. ADDITIONAL UNDER SECRETARY AND ASSISTANT SECRETARIES OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

The bill authorizes an additional Under Secretary and two new Assistant Secretaries of the Department of Health, Education, and Welfare.

## F. SCOPE, BENEFIT PAYMENTS, COSTS AND FINANCING

### 1. HEALTH INSURANCE AND MEDICAL CARE FOR THE NEEDY

The scope of the protection provided is broadly as follows:

(a) *Basic plan.*—It is estimated that approximately 17 million insured individuals and 2 million uninsured would qualify on July 1, 1966.

(b) *Voluntary supplementary plan.*—It is estimated that of the total eligible aged of 19 million, from 80 to 95 percent would participate, which would mean approximately 15.2 to 18 million individuals would be involved.

(c) *Medical assistance for needy.*—The expanded medical assistance (Kerr-Mills) program is estimated to provide new or increased medical assistance to about 8 million needy persons during an early year of operation. States could, in the future, provide aid to as many as twice this number who need help with medical costs.

The costs and financing are as follows:

(a) *Basic plan.*—Benefits and administrative expenses under the basic plan would be about \$1.1 billion for the 6-month period in 1966 and about \$2.4 billion in 1967. Contribution income for those years would be about \$1.5 and \$2.8 billion, respectively. The costs for the uninsured (paid from general funds) would be about \$285 million per year for early years.

The level-premium (long-range) cost of the hospital insurance program is 1.31 percent of payroll broken down as follows:

	<i>Percent</i>
Hospital and extended care facility benefits.....	1.26
Posthospital home health.....	.04
Outpatient diagnostic.....	.01
	1.31

Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, would be earmarked in a separate Hospital Insurance Trust Fund established in the Treasury. The same contribution rate would apply equally to employers, employees, and self-employed persons and would be as follows:

	<i>Percent</i>		<i>Percent</i>
1966.....	0.325	1976-79.....	0.65
1967-70.....	.50	1980-86.....	.75
1971-72.....	.55	1987 and after.....	.85
1973-75.....	.60		

The taxable earnings base for the hospital insurance tax would be \$6,600 a year for 1966 and thereafter. The level-equivalent of the contribution schedule is 1.32 percent of payroll.

*Estimated progress of Hospital Insurance Trust Fund*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
1966.....	\$1,548	\$1,055	<sup>1</sup> \$55	\$15	\$453
1967.....	2,766	2,358	71	15	805
1968.....	3,025	2,574	77	29	1,208
1969.....	3,120	2,807	84	41	1,478
1970.....	3,225	3,060	92	48	1,599
1971.....	3,609	3,293	99	53	1,869
1972.....	3,776	3,535	106	60	2,064
1973.....	4,251	3,788	114	68	2,481
1974.....	4,474	4,053	122	80	2,860
1975.....	4,655	4,330	130	88	3,143
1980.....	6,569	5,680	170	153	5,479
1985.....	7,540	7,341	220	252	8,188
1990.....	9,595	9,414	282	310	10,098

<sup>1</sup> Including administrative expenses incurred in 1965.

NOTE.—The transactions relating to the noninsured persons who would be covered for the benefits of this program, the cost for whom is borne out of the general funds of the Treasury, are not shown in the above figures. The figures in this table are based on the assumption that railroad workers will be covered directly by this program. (See following table for data on the basis that the Railroad Retirement Board will administer their benefits.)

If the Railroad Retirement Board administers the benefits for railroad workers the results are shown on the following table:

*Estimated financial results if railroad workers and annuitants receive hospital and related benefits through railroad retirement account*

[In millions]

Calendar year	Contributions <sup>1</sup>	Benefit payments and administrative expenses <sup>1 2</sup>	Financial interchange payment <sup>2 3</sup>
1966.....	\$29	\$39	\$10
1967.....	48	84	36
1968.....	50	90	40
1969.....	50	94	44
1970.....	50	99	49
1971.....	54	103	49
1972.....	55	106	51
1973.....	59	109	50
1974.....	60	113	53
1975.....	60	115	55
1980.....	74	116	42
1985.....	75	116	41
1990.....	85	114	29

<sup>1</sup> Amounts involved in the financial interchange transactions.

<sup>2</sup> Based on the assumption that all dual eligibles elect to receive benefits from the railroad retirement system.

<sup>3</sup> Payments from the hospital insurance trust fund to the railroad retirement account (shown on an accrual basis).

The estimated cost to the general fund of the Treasury for the hospital and related benefits for the noninsured group is as follows for the first 5 calendar years of operation:

Calendar year:	[In millions]	Cost to general treasury
1966 (last 6 months).....		\$145
1967.....		285
1968.....		280
1969.....		270
1970.....		265

The cost to the general fund of the Treasury decreases slowly for the closed group involved. Offsetting, in large part, the decline in the number of eligibles blanketed in is the increasing hospital utilization per capita as the average age of the group rises and the increasing hospitalization costs in future years.

(b) *Voluntary supplementary plan.*—Costs of the voluntary supplementary plan would depend on how many of the aged enrolled.

If 80 percent of the eligible aged enrolled, benefit costs (and administrative expenses) of the supplementary plan would be about \$665 to \$800 million in 1967. Premium income from enrollees for 1967 would be about \$555 million. The matching Government contribution would equal the premiums.

If 95 percent of the eligible aged enrolled, benefit costs (and administrative expenses) of the supplementary plan would be about \$790 to \$945 million in 1967. Premium income from enrollees for 1967 would be about \$660 million. The Government contribution would equal the premiums.

*Estimated progress of supplementary health insurance benefits trust fund*

Calendar year	Contributions		Benefit payments	Adminis- trative ex- penses <sup>1</sup>	Interest on fund	Balance in fund at end of year
	Partici- pants	Govern- ment				
Low-cost estimate, 80-percent participation						
1967-----	\$555	\$555	\$590	\$75	\$10	\$455
1968-----	565	565	830	80	20	695
Low-cost estimate, 95-percent participation						
1967-----	\$660	\$660	\$700	\$90	\$10	\$540
1968-----	670	670	985	95	25	825
High-cost estimate, 80-percent participation						
1967-----	\$555	\$555	\$705	\$95	\$5	\$315
1968-----	565	565	1,000	100	15	360
High-cost estimate, 95-percent participation						
1967-----	\$660	\$660	\$835	\$110	\$10	\$385
1968-----	670	670	1,190	115	15	435

<sup>1</sup> Administrative expenses shown include both those for the full year 1967 and such expenses as incurred in 1965 and 1966.

NOTE.—Not included above is the advance appropriation from general revenues that is to provide a contingency reserve during 1967-68 (to be used only if needed and to be repayable).

(c) *Kerr-Mills medical assistance plan extension.*—It is estimated that the new program will increase the Federal Government's general revenue contribution about \$200 million in a full year of operation over that in the programs operated under existing law.

## 2. *Old-age, survivors and disability insurance*

The following table shows the costs in dollars in 1966, the percent of payroll costs over the long run, and the number of persons immediately affected under the bill:

Provision	1966 cost	Percent of payroll (long- range)	Persons affected
7-percent benefit increase (\$4 minimum in primary benefit)-----	\$1,470,000,000	0.64	20,000,000
Child's benefit to age 22 if in school-----	195,000,000	.12	295,000
Reduced age for widows-----	165,000,000	.00	185,000
Reduction in eligibility requirement for certain persons aged 72 or over-----	140,000,000	.01	355,000
Liberalization of disability definition-----	40,000,000	.01	60,000
Earnings test liberalization-----	590,000,000	.28	850,000
Broader definition of child-----	20,000,000	.01	40,000

The following tables show the effect of the bill on the trust funds:

*Progress of old-age and survivors insurance trust fund under system as modified by committee-approved bill, intermediate-cost estimate at 3.50 percent interest*<sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund	Balance in fund at end of year <sup>3</sup>
Actual data						
1951.....	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952.....	3,819	2,194	88	-----	365	17,442
1953.....	3,945	3,006	88	-----	414	18,707
1954.....	5,163	3,670	92	-\$21	447	20,576
1955.....	5,713	4,968	119	-7	454	21,663
1956.....	6,172	5,715	132	-5	526	22,519
1957.....	6,825	7,347	<sup>4</sup> 162	-2	556	22,393
1958.....	7,566	8,327	<sup>4</sup> 194	124	552	21,864
1959.....	8,052	9,842	184	282	532	20,141
1960.....	10,866	10,677	203	318	516	20,324
1961.....	11,285	11,862	239	332	548	19,725
1962.....	12,059	13,356	256	361	526	18,337
1963.....	14,541	14,217	281	423	521	18,480
1964.....	15,689	14,914	296	403	569	19,125
Estimated data (short-range estimate)						
1965.....	\$16,014	\$16,987	\$351	\$436	\$571	\$17,936
1966.....	18,834	18,824	377	445	540	17,664
1967.....	20,450	19,874	363	532	556	17,901
1968.....	21,264	20,771	369	483	583	18,125
1969.....	25,164	21,666	377	499	660	21,407
1970.....	26,676	22,568	385	487	817	25,460
1971.....	27,522	23,483	393	457	991	29,640
1972.....	28,414	24,406	401	455	1,171	33,963
Estimated data (long-range estimate)						
1975.....	\$29,144	\$25,144	\$390	\$319	\$1,192	\$39,485
1980.....	31,456	29,179	431	135	1,873	59,260
1990.....	36,002	37,145	510	-21	2,632	80,723
2000.....	41,759	41,571	559	-77	3,144	96,999
2025.....	51,816	63,179	769	-107	3,766	111,683

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

<sup>3</sup> Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to \$377 for 1953, \$284 for 1954, \$163 for 1955, \$60 for 1956, and nothing for 1957 and thereafter.

<sup>4</sup> These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

*Progress of disability insurance trust fund under system as modified by committee-approved bill, intermediate-cost estimate at 3.50-percent interest <sup>1</sup>*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year
Actual data						
1957-----	\$702	\$57	<sup>3</sup> \$3	-----	\$7	\$649
1958-----	966	249	<sup>3</sup> 12	-----	25	1,379
1959-----	891	457	50	-\$22	40	1,825
1960-----	1,010	568	36	-5	53	2,289
1961-----	1,038	787	64	5	66	2,437
1962-----	1,046	1,105	66	11	68	2,368
1963-----	1,099	1,210	68	20	66	2,235
1964-----	1,154	1,309	79	19	64	2,047
Estimated data (short-range estimate)						
1965-----	\$1,187	\$1,599	\$85	\$24	\$51	\$1,577
1966-----	1,820	1,730	102	25	47	1,587
1967-----	2,049	1,824	108	28	50	1,726
1968-----	2,133	1,898	112	21	55	1,883
1969-----	2,208	1,959	115	24	61	2,054
1970-----	2,283	2,014	119	26	67	2,245
1971-----	2,357	2,066	122	29	75	2,460
1972-----	2,434	2,114	125	31	84	2,708
Estimated data (long-range estimate)						
1975-----	\$2,249	\$2,053	\$100	-\$3	\$117	\$3,704
1980-----	2,427	2,244	103	-11	156	4,873
1990-----	2,779	2,516	104	-13	264	8,139
2000-----	3,223	2,962	116	-13	452	13,747
2025-----	4,000	4,047	151	-13	897	26,850

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

<sup>3</sup> These figures are artificially low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

The benefit provisions of the bill are financed by (1) an increase in the earnings base from \$4,800 to \$6,600 effective January 1, 1966, and (2) a revised tax rate schedule.

The tax rate schedule under existing law and the revised schedule by the bill for the OASDI program follow:

Year	Contribution rates (in percent)			
	Employer and employee, each		Self-employed	
	Present law	Bill	Present law	Bill
1965.....	3.625	3.625	5.4	5.4
1966-67.....	4.125	3.85	6.2	5.8
1968.....	4.625	3.85	6.9	5.8
1969-72.....	4.625	4.45	6.9	6.7
1973 and after.....	4.625	4.9	6.9	7.0

The combined tax rates for the old-age and survivors insurance program and the basic hospital program follow:

*Combined tax rate on employer and employee—Old-age, survivors, and disability insurance tax and basic hospital insurance tax*

Year	Combined tax rate on employer and employee			
	Old-age, survivors, and disability insurance program		Basic hospital insurance program under bill	Total combined tax rate under bill
	Under present law	Under bill		
1965.....	7.25	7.25	-----	7.25
1966.....	8.25	7.70	0.65	8.35
1967.....	8.25	7.70	1.00	8.70
1968.....	9.25	7.70	1.00	8.70
1969-70.....	9.25	8.90	1.00	9.90
1971-72.....	9.25	8.90	1.10	10.00
1973-75.....	9.25	9.80	1.20	11.00
1976-79.....	9.25	9.80	1.30	11.10
1980-86.....	9.25	9.80	1.50	11.30
1987 and after.....	9.25	9.80	1.70	11.50

3. *Public assistance, child health and child welfare*

The following table shows the cost of the various provisions of the bill:

[In millions of dollars]

Costs	Fiscal year 1966	Annual rate
Maternal and child health, crippled children, child welfare, and special project grants, studies.....	30.5	75.0
Mental retardation projects.....	2.75	2.75
Mental and tuberculosis.....	38.0	75.0
Medical assistance for the aged definition.....	2.0	2.0
Formula changes.....	75.0	150.0
Protective payments.....	( <sup>1</sup> )	( <sup>1</sup> )
Income exemption (old-age assistance).....	0.5	1.0
Income exemption (aid to families with dependent children).....	1.3	4.0
Income exemption (aid to the permanently and totally disabled).....	1.0	2.5
<b>Total.....</b>	<b>151.05</b>	<b>312.25</b>

<sup>1</sup> No cost.

#### HEALTH INSURANCE AND MEDICAL CARE FOR THE AGED

A new title XVIII to the Social Security Act would be added providing two related health insurance programs for persons 65 or over:

(1) A basic plan in part A providing protection against the costs of hospital and related care; and

(2) A voluntary supplementary plan in part B providing protection against the costs of physicians' services and other medical and health services to cover certain areas not covered by the basic plan.

The basic plan would be financed through a separate payroll tax and separate trust fund. The plan would be actuarially sound under conservative cost assumptions. Benefits for persons currently over 65 who are not insured under the social security and railroad retirement systems would be financed out of Federal general revenues.

Enrollment in the supplementary plan would be voluntary and would be financed by a small monthly premium (\$3 per month initially) paid by enrollees and an equal amount supplied by the Federal Government out of general revenues. The premiums for social security, railroad retirement and civil service retirement beneficiaries who voluntarily enroll would be deducted from their monthly insurance benefits. Uninsured persons desiring the supplementary plan would make the periodic premium payments to the Government.

A new title XIX would be added to the Social Security Act which would provide a more effective Kerr-Mills program for the aged and extend its provisions to additional needy persons. It would allow the States, at their option, to combine with a single uniform category the differing medical provisions for the needy which currently are found in five titles of the Social Security Act.

A description of these three programs follows:

A. BASIC PLAN—HOSPITAL INSURANCE

1. *General description.*—Basic protection, financed through a separate payroll tax, would be provided by H.R. 6675 against the costs of inpatient hospital services, posthospital extended care services, posthospital home health services, and outpatient hospital diagnostic services for social security and railroad retirement beneficiaries when they attain age 65. Benefits for railroad retirement eligibles would be financed by the railroad retirement tax out of their trust account if certain conditions are met. The same protection, financed from general revenues, would be provided under a special transitional provision for essentially all people who are now aged 65, or who will reach 65 in the near future, but who are not eligible for social security or railroad retirement benefits.

2. *Effective date.*—Benefits would first be effective on July 1, 1966, except for services in extended care facilities which would be effective on January 1, 1967.

3. *Benefits.*—The services for which payment would be made under the basic plan include—

(a) inpatient hospital services for up to 120 days in each spell of illness. The patient pays a deductible amount of \$40 for the first 60 days plus \$10 a day for any days in excess of 60 for each spell of illness; hospital services would include all those ordinarily furnished by a hospital to its inpatients; however, payment would not be made for private duty nursing or for the hospital services of physicians *except* (1) services provided by interns or residents in training under approved teaching programs; and (2) services of radiologists, anesthesiologists, pathologists, and physiatrists where these services are provided under an arrangement with the hospital and are billed through the hospital. Inpatient psychiatric hospital service would also be included, but a lifetime limitation of 210 days would be imposed.

(b) posthospital extended care (in a facility having an arrangement with a hospital for the timely transfer of patients and for furnishing medical information about patients) after the patient is transferred from a hospital (after at least a 3-day stay) for up to 100 days in each spell of illness, but after the first 20 days of care patients will pay \$5 a day for the remaining days of extended care in a spell of illness;

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

(d) posthospital home health services for up to 175 visits, after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness. Such a person must be in the care of a physician and under a plan established by a physician within 14 days of discharge calling for such services. These services would include intermittent nursing care, therapy, and the part-time services of a home health aid. The patient must be homebound, except that when certain equipment is used, the individual could be taken to a hospital or extended care facility or rehabilitation center to receive some of these covered home health services in order to get advantage of the necessary equipment.

No service would be 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 would be considered to begin when the individual enters a hospital or extended care facility 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 would be increased if necessary to keep pace with increases in hospital costs, but no such increase would be made before 1968. The co-insurance amounts for long-stay hospital and extended care facility benefits would be correspondingly adjusted. For reasons of 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.

4. *Basis of reimbursement.*—Payment of bills under the basic plan would be made to the providers of service on the basis of the “reasonable cost” incurred in providing care for beneficiaries.

5. *Administration.*—Basic responsibility for administration would rest with the Secretary of Health, Education, and Welfare; however, the administration of benefits for individuals under the railroad retirement system would be transferred to the Railroad Retirement Board if certain financing conditions are met, as explained under the next heading. The Secretary would use appropriate State agencies and private organizations (nominated by providers of services) to assist in the administration of the program. Provision is made for the establishment of an Advisory Council which would advise the Secretary on policy matters in connection with administration.

6. *Financing.*—Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, would be earmarked in a separate hospital insurance trust fund established in the Treasury. The amount of earnings (earnings base) subject to the new payroll taxes would be the same as for purposes of financing social security cash benefits. The same contribution rate would apply equally to employers, employees, and self-employed persons and would be as follows:

	<i>Percent</i>
1966 .....	0.325
1967-70 .....	.50
1971-72 .....	.55
1973-75 .....	.60
1976-79 .....	.65
1980-86 .....	.75
1987 and after .....	.85

The taxable earnings base for the health insurance tax would be \$6,600 a year beginning in 1966.

The schedule of contribution rates is based on estimates of cost which assume that the earnings base will not be increased above \$6,600.

The benefits for railroad retirement eligibles will be financed by the railroad retirement tax which is automatically increased by the operation of this bill. However, the railroad retirement wage base (now \$450 a month) is not affected by this bill and is not within the jurisdiction of the Committee on Finance. Until an amendment is adopted to the Railroad Retirement Tax Act increasing their wage base to an amount equivalent to an earnings base of \$6,600 per year, the benefits of railroad eligibles will be financed by the hospital insurance tax and administered by the Secretary of Health, Education, and Welfare; after the increase in wage base the benefits for railroad eligibles will be administered by the Railroad Retirement Board.

The cost of providing basic hospital and related benefits to people who are not social security or railroad retirement beneficiaries would be paid from general funds of the Treasury.

## B. VOLUNTARY SUPPLEMENTARY INSURANCE PLAN

1. *General description.*—A package of benefits supplementing those provided under the basic plan would be offered to all persons 65 and over on a voluntary basis. Individuals who elect to enroll initially would pay premiums of \$3 a month (deducted, where possible, from social security or railroad retirement benefits). The Government would match this premium with \$3 paid from general funds. Since the minimum increase in cash social security benefits under the bill for workers retiring or who retired at age 65 or older would be \$4 a month (\$6 a month for man and wife receiving benefits based on the same earnings record), the benefit increases would fully cover the amount of monthly premiums.

2. *Effective date.*—Benefits will be effective beginning January 1, 1967.

3. *Enrollment.*—Persons who have reached age 65 before July 1, 1966, will have an opportunity to enroll in an enrollment period which begins April 1, 1966, and shall end on September 30, 1966.

Persons attaining age 65 subsequent to July 1, 1966, will have enrollment periods of 7 months beginning 3 months before the month of attainment of age 65.

In the future, general enrollment periods will be from October 1 to December 31, in each even-numbered year. The first such period will be October 1 to December 31, 1968.

No person may enroll more than 3 years after the close of the first enrollment period in which he could have enrolled.

There will be only one chance to reenroll for persons who are in the plan but drop out, and the reenrollment must occur within 3 years of termination of the previous enrollment.

Coverage may be terminated (1) by the individual filing notice during an enrollment period, or (2) by the Government, for nonpayment of premiums.

A State would be able to provide the supplementary insurance benefits to its public assistance recipients who are receiving cash assistance if it chooses to do so.

4. *Benefits.*—The voluntary supplementary insurance plan would cover physicians' services, chiropractic and podiatrists services, home health services, and numerous other medical and health services in and out of medical institutions.

There would be an annual deductible of \$50. Then the plan would cover 80 percent of the patient's bill (above the deductible) for the following services:

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

(2) Chiropractors' services.

(3) Podiatrists' services.

(4) Home health service (with no requirement of prior hospitalization) for up to 100 visits during each calendar year.

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

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

(7) Ambulance services.

(8) 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) which replace all or part of an internal body organ; braces and artificial legs, arms, eyes, etc.

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

5. *Administration by carriers: Basis for reimbursement.*—The Secretary of Health, Education, and Welfare would be required, to the extent possible, to contract with carriers to carry out the major administrative functions relating to the medical aspects of the voluntary supplementary plan such as determining rates of payments under the program, holding and disbursing funds for benefit payments, and determining compliance and assisting in utilization review. No contract is to be entered into by the Secretary unless he finds that the carrier will perform its obligations under the contract efficiently and effectively and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent. The contract must provide that the carrier take necessary action to see that where payments are on a cost basis (to institutional providers of service), the cost is reasonable cost. Correspondingly, where payments are on a charge basis (to physicians or others furnishing noninstitutional services), the carrier must see that such charge will be reasonable and not higher than the charge applicable, for a comparable service and under comparable circumstances, to the other policyholders and subscribers of the carrier. Payment by the carrier for physicians' services will be made on the basis of a receipted bill, or on the basis of an assignment under the terms of which the reasonable charge will be the full charge for the service. In determining reasonable charges, the carriers would consider the customary charges for similar services generally made by the physician or other person or organization furnishing the covered services, and also the prevailing charges in the locality for similar services.

6. *Financing.*—Aged persons who elect to enroll in the supplemental plan would pay monthly premiums of \$3. Where the individual is currently receiving monthly social security, railroad retirement, or civil service retirement benefits, the premiums would be deducted from his benefits.

The Government would help finance the supplementary plan through a payment from general revenues in an equal amount of \$3 a month per enrollee. To provide an operating fund, if necessary, at the beginning of the supplementary plan, and to establish a contingency reserve, a Government appropriation would be available (on a repayable basis) equal to \$18 per aged person estimated to be eligible in January 1967 when the supplementary plan goes into effect.

The individual and Government contributions would be placed in a separate trust fund for the supplementary plan. All benefit and administrative expenses under the supplementary plan would be paid from this fund.

Premium rates for enrolled persons (and the matching Government contribution) would be increased from time to time if program costs rise, but not more often than once every 2 years. The premium rate for a person who enrolls after the first period when enrollment is open to him or who reenrolls after terminating his coverage would be increased by 10 percent for each full 12 months he stayed out of the program.

#### C. IMPROVEMENT AND EXTENSION OF KERR-MILLS MEDICAL ASSISTANCE PROGRAM

1. *General description.*—A single and separate medical care program could, at the option of the State, be established to consolidate and expand the differing provisions for the needy which currently are found in five titles of the Social Security Act.

The new title (XIX) would extend the advantages of an expanded medical assistance program not only to the aged who are indigent but also to needy individuals in the dependent children, blind, and permanently and totally disabled programs and to persons who would qualify under those programs if in sufficient financial need.

Medical assistance under title XIX must be made available to all individuals receiving money payments under these programs and the medical care or services available to all such individuals must be equal in amount, duration, and scope. Effective July 1, 1967, all children under age 21 must be included who would, except for age, be dependent children under title IV.

Inclusion of the medically indigent aged not on the cash assistance rolls would be optional with the States but if they are included, comparable groups of blind, disabled, and parents and children must also be included if they need help in meeting necessary medical costs. Moreover, the amount and scope of benefits for the medically indigent could not be greater than that of recipients of cash assistance.

A State would have the option of continuing under the vendor medical provisions of existing law or adopting the new program.

2. *Effective date.*—January 1, 1966.

3. *Scope of medical assistance.*—Under existing law the State must provide “some institutional and noninstitutional care” under the medical assistance for the aged program. There are no minimum benefit requirements at all under the other public assistance vendor medical programs.

The bill requires that by July 1, 1967, under the new program a State must provide (1) inpatient hospital services, (2) outpatient hospital services, (3) other laboratory and X-ray services, (4) physicians’ services (whether furnished in the office, the patient’s home, a hospital, a skilled nursing home, or elsewhere), (5) dental services for individuals under the age of 21, and (6) skilled nursing home services for individuals 21 years of age or older in order to receive Federal participation. Coverage of other items of medical service would be optional with the States.

4. *Eligibility.*—Improvements would be effectuated in the program for the needy elderly by requiring that the States must provide a flexible income test which takes into account medical expenses and does not provide rigid income standards which deny assistance to people with large medical bills. Similarly the bill provides that no deductible, cost sharing, or similar charge may be imposed by the State as to hospitalization under its program and that any such charge on other medical services must be reasonably related to the recipient’s income or resources. Also important is the requirement that elderly needy people on the State programs be provided assistance to meet the deductibles that are imposed by the new basic program of hospital insurance. Also where a portion of any deductible or cost sharing required by the voluntary supplementary program is met by a State program, the portion covered must be reasonably related to the individual’s income and resources. No income can be imputed to an individual unless actually available; and the financial responsibility of an individual for an applicant may be taken into account only if the applicant is the individual’s spouse or child who is under age 21 or blind or disabled.

5. *Standards as to quality of care and safety.*—It is required that the States include in their State plans descriptions of the medical staff utilized and the standards for institutions providing medical care and that the Secretary of Health, Education, and Welfare promulgate minimum standards relating to fire and other hazards for such institutions, which must be included in the State plans.

6. *Increased Federal matching.*—The Federal share of medical assistance expenditures under the new program would be determined upon a uniform formula with no maximum on the amount of expenditures which would be subject to participation. There is no maximum under present law on similar amounts for the medical assistance for the aged program. The Federal share, which varies in relation to a State’s per capita income, would be increased over current medical assistance for the aged matching so that States at the national average would receive 55 percent rather than 50 percent, and States at the lowest level could receive as much as 83 percent as contrasted with 80 percent under existing law.

In order to receive any additional Federal funds as a result of expenditures under the new program, the States would need to continue their own expenditures at their present rate. For a specified period, any State that did not reduce its own expenditures would be assured of at least a 5-percent increase in Federal participation in medical care expenditures. As to compensation and training of professional medical personnel used in the administration of the program, the bill would provide a 75-percent Federal share as compared with the 50-50 Federal-State sharing for other administrative expenses.

7. *Administration.*—The bill provides that any State agency may be designated by the State to administer the program, as long as the determination of eligibility is accomplished by the agency administering the old-age assistance program.

**COMPARISON SHOWING EXISTING LAW AND CHANGES MADE BY H.R. 6675  
EXTENSION OF KERR-MILLS PROGRAM**

Item	Existing law	H. R. 6675
1. Brief summary-----	<p>Permits States to include in their plans under title I a program of Medical Assistance for the Aged (MAA); that is, to provide medical vendor payments (payments directly to the suppliers of medical services) for aged persons who are not Old-Age Assistance recipients, but but whose income and resources are insufficient to meet the costs of necessary medical services. The State plan for medical assistance for the aged may specify medical services of broad scope and duration provided that both institutional (hospitals, etc.) and noninstitutional (outpatient clinics, physicians, etc.) services are included.</p> <p>There is no dollar ceiling, the overall amount of Federal participation is governed by the extent of the State programs. The Federal share varies from 50 percent (for States with per capital income equal to or above the national average) up to 80 percent for lower per capita income States.</p> <p>(There are various formulas for vendor medical payments on behalf of persons on Old-Age Assistance (title I), Aid to the Blind (title X), Aid to Families with Dependent Children (title IV), Aid to the Permanently and Totally Disabled (title XIV) and the consolidated program for the aged, blind, and disabled (title XVI).)</p>	<p>Permits States to replace MAA with a new program (title XIX) designed like MAA to give vendor payment medical assistance to the aged who are medically indigent but also covers recipients of Old-Age Assistance (OAA) as well as recipients of Aid to the Blind, the Permanently and Totally Disabled, Needy Families with Dependent Children and the consolidated program for the aged, blind, and disabled. The amount, duration, and scope of benefits (except as specified) must be the same for the different categories of cash assistance recipients who receive vendor payments, under the new combined program.</p> <p>Inclusion of the medically indigent aged would be optional with the States but if they are included, comparable groups of blind, disabled, and parents and needy children must also be included if they need help in meeting necessary medical costs. The amount, duration, and scope of benefits for the medically indigent (except as specified) must be the same and cannot be greater than that of recipients on the basic maintenance programs.</p> <p>Certain changes are made in State plan requirements relating to the evaluation of income and resources for eligibility purposes, the imposition of deductibles, the payment of deductibles under the basic hospital plan or the payment of deductibles and co-insurance under the voluntary supplementary plan, and granting the States authority to impose enrollment fees or charges on individuals if they are reasonably related to the recipient's income (or his income and resources).</p> <p>Six specific health services must be provided under new program by June 30, 1967.</p> <p>The Federal Government would continue to participate in medical vendor payments in MAA and OAA and other public assistance programs, until the new program is adopted by the State.</p> <p>The matching for the new program would follow that of MAA in that there would be no dollar ceiling. However, the Federal share would vary from 50 percent to 83 percent with States at the national average receiving 55 percent. For a specified period, any State that does not reduce its expenditures would be assured at least a 5-percent increase in Federal participation in medical care expenditures.</p> <p>Effective January 1, 1966.</p>

2. Medical assistance for the aged:

(a) Eligibility for assistance-----

To be eligible an individual—

- (1) Must have attained age 65;
- (2) Must not be a recipient of old-age assistance;

(3) Must have income and resources, as determined by the State, insufficient to meet all of the cost of the medical services outlined below. The State plan must provide reasonable standards, consistent with the objectives of the program, for determining eligibility and the extent of assistance.

(b) Scope of benefits-----

The State plan for Medical Assistance for the Aged may specify medical services of any scope and duration, provided that both institutional and noninstitutional services are included. Federal participation is restricted to vendor medical payments: i.e., payments made by the States directly to the doctor, hospital, etc., providing medical services on behalf of the recipient.

The Federal Government shares in the expense of providing the following kinds of medical services:

- (1) Inpatient hospital services;
- (2) Skilled nursing home services;
- (3) Physicians' services;
- (4) Outpatient hospital or clinic services;
- (5) Home health care services;
- (6) Private duty nursing services;
- (7) Physical therapy and related services;
- (8) Dental services;
- (9) Laboratory and X-ray services;
- (10) Prescribed drugs, eyeglasses, dentures, and prosthetic devices;
- (11) Diagnostic, screening, and preventive services; and
- (12) Any other medical care or remedial care recognized under State law.

The Federal Government does not share in the expense of providing medical services to inmates of public institutions (other than medical institutions), to patients in mental or tuberculosis institutions or to patients in medical institutions as a result of a diagnosis of tuberculosis or psychosis after 42 days of care.

Medical Assistance for Aged program as such will be inoperative for States that adopt new combined medical assistance program, but the MAA group of aged would be governed by the same eligibility standards with the following modifications:

- (1) Same as existing law.
- (2) No longer applicable to recipients of Old-Age Assistance since they will be eligible under new program.
- (3) Same but State must provide flexible income test which takes into account medical expenses (including health insurance premiums). (See also State plan requirements. (See pp. 25-27.)

Essentially the same, except after July 1, 1967, benefits for new medical program *must* include at least following six services:

- (1) Inpatient hospital services (except in institution for tuberculosis or mental diseases);
- (2) Outpatient hospital services;
- (3) Other laboratory and x-ray services;
- (4) Skilled nursing home services (except in institution for tuberculosis or mental diseases) for persons age 21 or older; and
- (5) Physician's services whether furnished in the office, the patient's home, a hospital, a skilled nursing home or elsewhere;
- (6) Dental services for persons under age 21.

Other services are optional and are the same as authorized under existing law with the following exceptions:

(10) Modified so eyeglasses will be prescribed by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select.

(12) Modifies provision so that medical care or remedial care recognized under State law, either has to be specified by the Secretary or is furnished by licensed practitioners within the scope of their practice as defined by State law.

Adds provision for inpatients hospital services and skilled nursing home services in institution for tuberculosis or mental diseases.

Removes exclusion from Federal matching as to aged individuals who are patients in institutions for tuberculosis or mental diseases, or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional Federal money. Provides that States will receive no more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs.

COMPARISON SHOWING EXISTING LAW AND CHANGES MADE BY H.R. 6675—Continued

EXTENSION OF KERR-MILLS PROGRAM—Continued

Item	Existing law	H.R. 6675																																																																																																																																																
2. Medical assistance for the aged—Con. (c) Matching formula: (1) Federal share-----	<p>Federal payments reimburse the States for a portion of their expenditures under approved plans for medical assistance for the aged according to an equalization formula which ranges from 50 to 80 percent depending upon the per capita income of the States as related to the national per capita income. States at or above national average get a 50 percent Federal share.</p> <p><i>Federal medical percentages applicable for July 1, 1963, through June 30, 1965</i></p> <table border="0"> <thead> <tr> <th data-bbox="678 652 743 671">State:</th> <th data-bbox="1146 652 1255 671">Percentage</th> </tr> </thead> <tbody> <tr><td>Alabama.....</td><td>78.29</td></tr> <tr><td>Alaska.....</td><td>50.00</td></tr> <tr><td>Arizona.....</td><td>58.75</td></tr> <tr><td>Arkansas.....</td><td>80.00</td></tr> <tr><td>California.....</td><td>50.00</td></tr> <tr><td>Colorado.....</td><td>50.00</td></tr> <tr><td>Connecticut.....</td><td>50.00</td></tr> <tr><td>Delaware.....</td><td>50.00</td></tr> <tr><td>District of Columbia.....</td><td>50.00</td></tr> <tr><td>Florida.....</td><td>60.69</td></tr> <tr><td>Georgia.....</td><td>73.69</td></tr> <tr><td>Guam.....</td><td>50.00</td></tr> <tr><td>Hawaii.....</td><td>50.00</td></tr> <tr><td>Idaho.....</td><td>67.43</td></tr> <tr><td>Illinois.....</td><td>50.00</td></tr> <tr><td>Indiana.....</td><td>52.06</td></tr> <tr><td>Iowa.....</td><td>57.63</td></tr> <tr><td>Kansas.....</td><td>56.63</td></tr> <tr><td>Kentucky.....</td><td>75.27</td></tr> <tr><td>Louisiana.....</td><td>73.46</td></tr> <tr><td>Maine.....</td><td>65.65</td></tr> <tr><td>Maryland.....</td><td>50.00</td></tr> <tr><td>Massachusetts.....</td><td>50.00</td></tr> <tr><td>Michigan.....</td><td>50.00</td></tr> <tr><td>Minnesota.....</td><td>56.42</td></tr> <tr><td>Mississippi.....</td><td>80.00</td></tr> <tr><td>Missouri.....</td><td>50.45</td></tr> <tr><td>Montana.....</td><td>59.69</td></tr> <tr><td>Nebraska.....</td><td>55.10</td></tr> <tr><td>Nevada.....</td><td>50.00</td></tr> <tr><td>New Hampshire.....</td><td>56.38</td></tr> <tr><td>New Jersey.....</td><td>50.00</td></tr> <tr><td>New Mexico.....</td><td>66.55</td></tr> <tr><td>New York.....</td><td>50.00</td></tr> <tr><td>North Carolina.....</td><td>74.99</td></tr> </tbody> </table>	State:	Percentage	Alabama.....	78.29	Alaska.....	50.00	Arizona.....	58.75	Arkansas.....	80.00	California.....	50.00	Colorado.....	50.00	Connecticut.....	50.00	Delaware.....	50.00	District of Columbia.....	50.00	Florida.....	60.69	Georgia.....	73.69	Guam.....	50.00	Hawaii.....	50.00	Idaho.....	67.43	Illinois.....	50.00	Indiana.....	52.06	Iowa.....	57.63	Kansas.....	56.63	Kentucky.....	75.27	Louisiana.....	73.46	Maine.....	65.65	Maryland.....	50.00	Massachusetts.....	50.00	Michigan.....	50.00	Minnesota.....	56.42	Mississippi.....	80.00	Missouri.....	50.45	Montana.....	59.69	Nebraska.....	55.10	Nevada.....	50.00	New Hampshire.....	56.38	New Jersey.....	50.00	New Mexico.....	66.55	New York.....	50.00	North Carolina.....	74.99	<p>Under matching formula for new medical program Federal payments reimburse the States for a portion of their expenditures according to an equalization formula ranging from 50 to 83 percent, depending upon the per capita income of the State as it is related to the national per capita income. Federal sharing for States at the national average would be 55 percent; for most States above the national average, sharing would be 50 percent. Like MAA, there is no maximum on the amount in which the Federal Government would share.</p> <table border="0"> <thead> <tr> <th data-bbox="1283 652 1348 671">State:</th> <th data-bbox="1761 652 1871 671">Percentage</th> </tr> </thead> <tbody> <tr><td>Alabama.....</td><td>80.46</td></tr> <tr><td>Alaska.....</td><td>50.00</td></tr> <tr><td>Arizona.....</td><td>62.87</td></tr> <tr><td>Arkansas.....</td><td>82.77</td></tr> <tr><td>California.....</td><td>50.00</td></tr> <tr><td>Colorado.....</td><td>51.44</td></tr> <tr><td>Connecticut.....</td><td>50.00</td></tr> <tr><td>Delaware.....</td><td>50.00</td></tr> <tr><td>District of Columbia.....</td><td>50.00</td></tr> <tr><td>Florida.....</td><td>64.62</td></tr> <tr><td>Georgia.....</td><td>76.32</td></tr> <tr><td>Guam.....</td><td>55.00</td></tr> <tr><td>Hawaii.....</td><td>52.36</td></tr> <tr><td>Idaho.....</td><td>70.68</td></tr> <tr><td>Illinois.....</td><td>50.00</td></tr> <tr><td>Indiana.....</td><td>56.85</td></tr> <tr><td>Iowa.....</td><td>61.87</td></tr> <tr><td>Kansas.....</td><td>60.97</td></tr> <tr><td>Kentucky.....</td><td>77.74</td></tr> <tr><td>Louisiana.....</td><td>76.11</td></tr> <tr><td>Maine.....</td><td>69.09</td></tr> <tr><td>Maryland.....</td><td>50.00</td></tr> <tr><td>Massachusetts.....</td><td>50.00</td></tr> <tr><td>Michigan.....</td><td>52.32</td></tr> <tr><td>Minnesota.....</td><td>60.78</td></tr> <tr><td>Mississippi.....</td><td>83.00</td></tr> <tr><td>Missouri.....</td><td>55.41</td></tr> <tr><td>Montana.....</td><td>63.72</td></tr> <tr><td>Nebraska.....</td><td>59.59</td></tr> <tr><td>Nevada.....</td><td>50.00</td></tr> <tr><td>New Hampshire.....</td><td>60.74</td></tr> <tr><td>New Jersey.....</td><td>50.00</td></tr> <tr><td>New Mexico.....</td><td>69.89</td></tr> <tr><td>New York.....</td><td>50.00</td></tr> <tr><td>North Carolina.....</td><td>77.49</td></tr> </tbody> </table>	State:	Percentage	Alabama.....	80.46	Alaska.....	50.00	Arizona.....	62.87	Arkansas.....	82.77	California.....	50.00	Colorado.....	51.44	Connecticut.....	50.00	Delaware.....	50.00	District of Columbia.....	50.00	Florida.....	64.62	Georgia.....	76.32	Guam.....	55.00	Hawaii.....	52.36	Idaho.....	70.68	Illinois.....	50.00	Indiana.....	56.85	Iowa.....	61.87	Kansas.....	60.97	Kentucky.....	77.74	Louisiana.....	76.11	Maine.....	69.09	Maryland.....	50.00	Massachusetts.....	50.00	Michigan.....	52.32	Minnesota.....	60.78	Mississippi.....	83.00	Missouri.....	55.41	Montana.....	63.72	Nebraska.....	59.59	Nevada.....	50.00	New Hampshire.....	60.74	New Jersey.....	50.00	New Mexico.....	69.89	New York.....	50.00	North Carolina.....	77.49
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Oklahoma.....	65.65
Oregon.....	50.00
Pennsylvania.....	50.00
Puerto Rico.....	50.00
Rhode Island.....	50.90
South Carolina.....	80.00
South Dakota.....	68.87
Tennessee.....	75.53
Texas.....	61.45
Utah.....	62.28
Vermont.....	64.75
Virgin Islands.....	50.00
Virginia.....	65.05
Washington.....	50.00
West Virginia.....	71.76
Wisconsin.....	52.50
Wyoming.....	50.00

(27 F.R. 9230)

75 percent Federal matching is authorized for certain rehabilitation services for aged recipients and for the training of welfare personnel.

The Federal Government pays 50 percent of other administrative costs.

(2) Pass along provision....

No provision in existing law to insure that public assistance recipients receive higher payments because of legislation liberalizing the Federal matching formula.

(d) State plan requirements.....

In order to be eligible for Federal participation, the State must provide medical assistance for the aged according to a plan submitted to the Secretary of Health, Education, and Welfare, and approved by him, which meets the requirements set out in the law. The State plan provisions are generally the same as those required for the other public assistance programs with the following exceptions:  
A State plan—

(a) must not require a premium, enrollment fee, or similar charge as a condition of eligibility;

North Dakota.....	75.73
Ohio.....	50.76
Oklahoma.....	69.09
Oregon.....	54.22
Pennsylvania.....	54.02
Puerto Rico.....	55.00
Rhode Island.....	55.81
South Carolina.....	82.54
South Dakota.....	71.98
Tennessee.....	77.97
Texas.....	65.31
Utah.....	66.05
Vermont.....	68.27
Virgin Islands.....	55.00
Virginia.....	68.55
Washington.....	50.84
West Virginia.....	74.53
Wisconsin.....	57.25
Wyoming.....	53.07

During the period January 1, 1966, through June 30, 1969, the Federal medical percentage shall not be less than 105 percent of the Federal share of medical expenditures by the State during fiscal year 1965.

75 percent Federal matching would be available as to costs attributable to compensation or training of skilled professional medical personnel and staff directly supporting such personnel.

Same as existing law.

Federal matching for any State for any quarter prior to July 1, 1969, shall be reduced to the extent the excess of Federal matching for such quarter for the new medical program, old-age assistance, aid to needy families with children, aid to the blind, aid to the permanently and totally disabled, and aid under the consolidated program over the corresponding quarter or average quarterly Federal matching for these programs in fiscal year 1964 or 1965 is greater than the excess of total expenditures (Federal, State, and local) on these programs in such quarter over the corresponding quarter or of the average total quarterly expenditures on these programs in fiscal year 1964 or 1965.

The State plan requirements for the new medical program incorporate many of the plan requirements of existing programs. The following are the differences as they particularly affect the medical assistance for the aged group:

(1) Modifies provision to allow State to impose premiums, enrollment fees, on similiar charges if they are reasonably related (as determined in accordance with standards prescribed by the Secretary) to the recipient's income or to his income and resources;

COMPARISON SHOWING EXISTING LAW AND CHANGES MADE BY H.R. 6675—Continued

EXTENSION OF KERR-MILLS PROGRAM—Continued

Item	Existing law	H.R. 6675
<p>2. Medical assistance for the aged—Con. (d) State plan requirements—Con.</p>	<p>(2) must not impose property liens during the lifetime of the individual receiving benefits (except pursuant to court judgment on account of benefits incorrectly paid) and any recovery provisions under the plan must be limited to the estate of the individual after his death and the death of his surviving spouse;</p> <p>(3) must not impose a citizenship requirement which would exclude a citizen of the United States or a requirement which excludes a resident of the State;</p> <p>(4) must also provide, to the extent required by the Secretary of Health, Education, and Welfare, for inclusion of residents of the State who are absent therefrom; and</p> <p>(5) Include reasonable standards consistent with the objectives of this title for determining eligibility for, and the extent of assistance;</p> <p>(6) If a State has both a program for old-age assistance and medical assistance for the aged it must be administered by a single State agency;</p> <p>(7) If payments are made to individuals in public or private institutions, must provide for a State authority or authorities to establish and maintain standards for such institutions.</p>	<p>(2) Broadened so that recovery would be further postponed where there is surviving child, under 21 or blind or disabled. No recovery is permitted for medical assistance received before age 65.</p> <p>(3) Same as existing law.</p> <p>(4) Same as existing law.</p> <p>(5) Same but with addition so that standards (a) take into account only such income and resources as are (as determined in accordance with standards prescribed by the Secretary), available to the applicant or recipient; (b) must provide for reasonable evaluation of income or resources; (c) do not take into account the financial responsibility of any individual for any applicant or recipient who is not such individual's spouse or child under age 21 or blind or disabled; and (d) provide for flexibility in the application of such standards with respect to income by taking into account (except to the extent prescribed by the Secretary) the costs (whether in the form of insurance premiums or otherwise) incurred for medical care.</p> <p>(6) The medical program may be administered by any single State agency except that eligibility for medical assistance must be determined by the agency that administers old-age assistance (or title XVI). In certain States with separate blind agencies, however, the portion of the plan relating to the blind may be administered by those agencies. The following additional plan requirements pertinent to the MAA group are added:</p> <p>(7) Broadened to require after June 30, 1967, that such standards include any requirements in standards established by the Secretary relating to protection against fire and other hazards to health and safety.</p> <p>(8) Until July 1, 1970, local funds may be used for up to 60 percent of non-Federal share of expenditures under the program. After that date, the non-Federal share of expenditures must be met entirely by the State.</p>

(e) Use of private health insurance.

Includes in the amounts subject to Federal matching the expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof.

(9) No deductible, cost sharing, or similar charge will be imposed on any individual in respect to inpatient hospital service, nor with respect to any other care or service unless it is reasonably related (as determined in accordance with standards approved by the Secretary), to the recipient's income or his income and resources.

(10) In the case of aged individuals covered by either or both of the insurance programs (hospital insurance benefits for the aged, and supplementary medical insurance benefits for the aged) established by the bill, provide—

(A) For meeting the full cost of any deductible imposed with respect to any such individual under such hospital insurance benefits program; and

(B) Where, under the plan, all of a deductible, cost sharing, or similar charge imposed with respect to any such individual under the supplementary medical insurance benefits program is not met, the portion which is met shall be determined on a basis reasonably related (as determined in accordance with standards approved by the Secretary and included in the plan) to such individual's income or to his income and resources.

(11) If benefits are provided for the medically indigent aged similar provision must be made for the medically indigent blind, disabled, and dependent children and their parents. Benefits and eligibility standards must be comparable between groups. The benefits provided to the medically indigent cannot be greater than those provided to the cash recipients.

(12) Safeguards must be provided to insure determination of eligibility and provision of services be administratively simple and in the best interest of recipients.

(13) Provide for entering into cooperative arrangements with the State agencies responsible for administering of health services and vocational rehabilitation services, looking toward maximum utilization of such services in the provision of medical assistance under the plan.

(14) Provide for the reasonable cost (as determined in accordance with standards approved by the Secretary and included in the plan) of inpatient hospital services provided under the plan.

(15) Include descriptions of kinds, numbers, and responsibilities of professional medical personnel, the standards to be used by standard-setting authorities for institutions, the cooperative arrangements with State health and vocational rehabilitation agencies, and other standards and methods to be used to assure provision of medical or remedial care and that services are of high quality.

Same as existing law.

COMPARISON SHOWING EXISTING LAW AND CHANGES MADE BY H.R. 6675—Continued

EXTENSION OF KERR-MILLS PROGRAM—Continued

Item	Existing law	H.R. 6675
<p>3. Effect on other public assistance programs:</p> <p>(a) Medical vendor program content and scope.</p>	<p>No uniformity required as to eligibility or as to the amount or scope of benefits between medical vendor programs for OAA (title I), Aid to Families with Dependent Children (title IV), Aid to Blind (title X), Aid to Permanently and Totally Disabled (title XIV), and the consolidated program for the aged, blind, and disabled (title XVI).</p> <p>Medical vendor programs for the medically indigent aged (MAA) can be greater in amount and scope than that for recipients on the cash assistance programs.</p> <p>No specific medical care benefits required as a condition of Federal participation.</p>	<p>Federal participation in medical vendor payments will cease upon the States' implementation of the new program, as to all existing titles (I, IV, X, XIV, and XVI).</p> <p>If a State program covers the medically indigent aged (MAA) it must provide (except as specified) the same benefits in amount, duration, and scope to comparably medically indigent individuals who would, if in financial need, be in the other categories of assistance. The amount, duration, and scope of medical assistance for recipients of cash assistance under any of the programs cannot be less than that provided for the medically indigent. The amount, duration, and scope of medical assistance available must be (except as specified) the same as to recipients on all cash assistance programs.</p> <p>Effective July 1, 1967, as to the new program, the States could not exclude any person who has not attained age 21 and who would be considered a dependent child except for the age and school attendance requirements under the State's aid to families with dependent children plan. Moreover, for matching purposes dependent children and adult care takers could be included even though they did not meet the State plan requirement for need and age, if they are otherwise qualified for cash payments under the aid to families with dependent children program.</p> <p>The Secretary of Health, Education, and Welfare shall not authorize matching unless the State makes a satisfactory showing that it is making efforts in the direction of broadening the scope of the care and services made available under the plan and in the direction of liberalizing the eligibility requirements for medical assistance, with a view toward furnishing by 10 years after the plan is effective, comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources, including services to enable such individuals to attain or retain independence or self-care.</p> <p>Provides that no lien may be imposed against the property of individual prior to his death, and that as to recipients under age 65 years of age there shall be no recovery or adjustment as to any medical assistance correctly paid.</p> <p>After July 1, 1967, benefits for new medical program must include at least following six services:</p> <p>(1) inpatient hospital services; (except in institutions for tuberculosis or mental diseases);</p>

(b) Matching formula—vendor  
medical payments

There are various formulas which determine the extent of Federal participation:

*Aid to families with dependent children (title IV).*—Medical payments and cash assistance combined in one formula with Federal participation limited to an average monthly expenditure of \$30 per child or adult recipient.

*Aid to blind (title X) and aid to permanently and totally disabled (title XIV).*—Medical payment and cash assistance combined in one formula as to each program with Federal participation limited to an average monthly expenditure of \$70 per recipient.

*Old-age assistance (title I).*—A separate medical payments formula which is applicable to \$15 of expenditures above the \$70 average monthly participation limit or to \$15 of expenditures within the \$70 limit.

For States with average monthly payments over \$70, the Federal Government participates in the expenditures in excess of that amount except that such participation is limited to the amount of the average vendor medical payment with a maximum of \$15. The Federal share in the excess expenditure is the "Federal medical percentage" for the State, which ranges from 50 to 80 percent under a formula based on per capita income. (See page 16.)

For States with average monthly payments of \$70 or less, the additional Federal share in average vendor medical payments up to \$15 is an additional 15 percent over the "Federal percentage"\* (which ranges from 50 percent to 65 percent based on per capita income).

This percentage, when added to the usual "Federal percentage," results in a total Federal share of from 65 to 80 percent. The additional Federal share of 15 percent also is available to States with average monthly payments over \$70 when it is advantageous to them as an alternative to the method described in the preceding paragraph.

*Combined program for aged, blind, and disabled (title XVI).*—As of December 1, 1964, some 14 jurisdictions had combined programs for the adult categories. The Federal participation as to this program is the same as for OAA.

- (2) outpatient hospital services;
  - (3) other laboratory and X-ray services;
  - (4) skilled nursing home services (except in institutions for tuberculosis or mental diseases) for persons age 21 or older;
  - (5) physician's services whether furnished in the office, the patient's home, a hospital, a skilled nursing home, or elsewhere;
  - (6) dental services for persons under age 21.
- Other services are optional.

The State plan must provide for the payment of reasonable costs of inpatient hospital services as is done for MAA group.

As to all categories of recipients, provides Federal participation as described on page 16 (varies from 50 to 83 percent). Like MAA, there is no maximum on the amount which the Federal Government would share in.

\*The "Federal percentage" determines the amount of Federal participation as to the amount of average payments between \$35 and \$70 for the adult programs (\$17 to \$30 for AFDC).

**PUBLIC ASSISTANCE**  
**I. INCREASE IN FEDERAL MATCHING FORMULA**

Item	Existing law	H. R. 6675																																																																														
A. Payments for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, or the combined aged, blind, and disabled program (title XVI).	<p>Federal matching share is \$29 of the first \$35 (<math>\frac{2}{5}</math> of the first \$35) with variable matching on the amount above \$35 up to a maximum of \$70 per recipient per month.</p> <p>Matching for States whose per capita income is at or above the national average is 50 percent, while for States below the national average it varies up to 65 percent.</p> <p>The "Federal percentages" as promulgated for the period July 1, 1963, through June 30, 1965, are as follows:</p> <table style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">State:</th> <th style="text-align: right;"><i>Federal percentage</i></th> </tr> </thead> <tbody> <tr><td>Alabama.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Alaska.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Arizona.....</td><td style="text-align: right;">58.75</td></tr> <tr><td>Arkansas.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>California.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Colorado.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Connecticut.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Delaware.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>District of Columbia.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Florida.....</td><td style="text-align: right;">60.69</td></tr> <tr><td>Georgia.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Hawaii.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Idaho.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Illinois.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Indiana.....</td><td style="text-align: right;">52.06</td></tr> <tr><td>Iowa.....</td><td style="text-align: right;">57.63</td></tr> <tr><td>Kansas.....</td><td style="text-align: right;">56.63</td></tr> <tr><td>Kentucky.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Louisiana.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Maine.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Maryland.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Massachusetts.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Michigan.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Minnesota.....</td><td style="text-align: right;">56.42</td></tr> <tr><td>Mississippi.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Missouri.....</td><td style="text-align: right;">50.45</td></tr> <tr><td>Montana.....</td><td style="text-align: right;">59.69</td></tr> <tr><td>Nebraska.....</td><td style="text-align: right;">55.10</td></tr> <tr><td>Nevada.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>New Hampshire.....</td><td style="text-align: right;">56.38</td></tr> <tr><td>New Jersey.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>New Mexico.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>New York.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>North Carolina.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>North Dakota.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Ohio.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Oklahoma.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Oregon.....</td><td style="text-align: right;">50.00</td></tr> </tbody> </table>	State:	<i>Federal percentage</i>	Alabama.....	65.00	Alaska.....	50.00	Arizona.....	58.75	Arkansas.....	65.00	California.....	50.00	Colorado.....	50.00	Connecticut.....	50.00	Delaware.....	50.00	District of Columbia.....	50.00	Florida.....	60.69	Georgia.....	65.00	Hawaii.....	50.00	Idaho.....	65.00	Illinois.....	50.00	Indiana.....	52.06	Iowa.....	57.63	Kansas.....	56.63	Kentucky.....	65.00	Louisiana.....	65.00	Maine.....	65.00	Maryland.....	50.00	Massachusetts.....	50.00	Michigan.....	50.00	Minnesota.....	56.42	Mississippi.....	65.00	Missouri.....	50.45	Montana.....	59.69	Nebraska.....	55.10	Nevada.....	50.00	New Hampshire.....	56.38	New Jersey.....	50.00	New Mexico.....	65.00	New York.....	50.00	North Carolina.....	65.00	North Dakota.....	65.00	Ohio.....	50.00	Oklahoma.....	65.00	Oregon.....	50.00	<p>Effective January 1, 1966, the Federal matching share will be increased to \$31 out of the first \$37 (<math>\frac{3}{7}</math> of the first \$37) with variable matching on the amount above \$37 up to a maximum of \$75 per recipient per month.</p> <p style="text-align: center;">No change.</p>
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South Dakota.....	65.00
Tennessee.....	65.00
Texas.....	61.45
Utah.....	62.28
Vermont.....	64.75
Virginia.....	65.00
Washington.....	50.00
West Virginia.....	65.00
Wisconsin.....	52.50
Wyoming.....	50.00

(27 F.R. 9185)  
*Vendor medical payments.*—For old-age assistance and for the combined aged, blind, and disabled program there is additional Federal matching as to medical vendor payments (i.e., payments directly to the providers of medical services) with respect to State expenditures for medical or remedial care, the larger of the following alternatives:

“Federal medical percentage” of vendor payment expenditures that are above \$70 per month, up to \$15 per recipient per month.

or  
 15 percent of vendor payment expenditures, up to \$15 per recipient per month.

The “Federal medical percentage” is dependent on the relationship between State per capita income and the national per capita income. The percentage ranges from 50 percent for States at or above the national average to 80 percent for States with the lowest income.

For States with average monthly payments over \$70, the Federal Government participates at the rate of the “Federal medical percentage” in the expenditures over \$70 except that such participation is limited to the amount of the average vendor medical payment up to \$15 per recipient per month.

For States with average monthly payments of \$70 per month or less, the Federal share in average vendor medical payments up to \$15 per recipient per month is an additional 15 percentage points over and above the “Federal percentage” used to compute the Federal share of money payments.

Provision is also made that a State with an average payment over \$70 per month can never receive less in additional Federal funds in respect to such medical service costs than if it had an average payment of \$70 per month.

Permits Federal matching of State expenditures under all four public assistance programs for medical or remedial care furnished within 3 months before the month in which a person applies for assistance.

For those States which adopt the optional combined aged, blind, and disabled program the additional \$15 matching for medical vendor payments is applicable to the blind and disabled recipient under the combined program.

No change.

Formula also changed to reflect new matching maximum on assistance payments of \$75.

Formula is restated so that amounts in which the Federal Government participates at the “Federal medical percentage” are counted before those in which participation is at this “Federal percentage.”

**PUBLIC ASSISTANCE—Continued**

**I. INCREASE IN FEDERAL MATCHING FORMULA—Continued**

Item	Existing law	H.R. 6675												
B. Payments for aid to families with dependent children.	<p>For money and medical vendor payments the Federal share is \$14 out of the first \$17 (<math>\frac{14}{17}</math> of the first \$17) per recipient per month with variable matching on the amount above \$17 up to a maximum of \$30 per recipient per month. Variable matching for the States is at the same percentages as old-age assistance money payment matching.</p>	<p>Effective January 1, 1966, the Federal matching share would be increased to \$15 out of the first \$18 (<math>\frac{15}{18}</math> of the first \$18) with variable matching on the amount above \$18 up to a maximum of \$32 per month per recipient.</p>												
C. Special formula for Puerto Rico, Virgin Islands, and Guam:														
1. Matching formula-----	<p>Federal matching on a 50-50 basis on both money and vendor medical payments up to a maximum of \$37.50 a month times the number of recipients on the old-age, blind, and disabled program with a maximum of \$18 a month times the number of recipients on the aid to dependent children program.</p> <p>Additional matching for vendor medical expenditures is available for up to \$7.50 per month per recipient on old-age assistance and combined adult program rather than the additional \$15 per month per recipient which applies to the States and the District of Columbia.</p>	<p>No change.</p>												
2. Dollar limitation-----	<p>Total Federal payments for all 4 public assistance programs may not exceed—</p> <table border="0"> <tr> <td>Puerto Rico-----</td> <td align="right">\$9, 800, 000</td> </tr> <tr> <td>Virgin Islands-----</td> <td align="right">330, 000</td> </tr> <tr> <td>Guam-----</td> <td align="right">450, 000</td> </tr> </table> <p>In each case a portion of these amounts is only available if used to provide additional medical vendor payments on behalf of assistance recipients:</p> <table border="0"> <tr> <td>Puerto Rico-----</td> <td align="right">\$625, 000</td> </tr> <tr> <td>Virgin Islands-----</td> <td align="right">18, 750</td> </tr> <tr> <td>Guam-----</td> <td align="right">25, 000</td> </tr> </table> <p>Federal payments for programs of medical assistance for the aged are excepted from dollar limitation provision.</p>	Puerto Rico-----	\$9, 800, 000	Virgin Islands-----	330, 000	Guam-----	450, 000	Puerto Rico-----	\$625, 000	Virgin Islands-----	18, 750	Guam-----	25, 000	<p>No change.</p>
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D. Pass along provision-----	<p>No provision in existing law to insure that public assistance recipients receive higher payments because of legislation liberalizing the Federal matching formula.</p>	<p>Deletes required earmarking for medical vendor payments on approval of its plan for medical assistance under title XIX.</p> <p>Federal matching for any State for any quarter shall be reduced to the extent that the excess of the Federal matching for such quarter over the corresponding quarter or the average Federal matching for quarters in fiscal 1964 or 1965 is greater than the excess of total Federal, State, and local expenditures for the quarter over the corresponding quarter or the average Federal, State, and local total expenditures for quarters in fiscal 1964 or 1965.</p>												
E. Consideration of income in determination of need.	<p>In determining the need of an aged recipient, a State may, after Dec. 31, 1962, disregard a portion of earned income. Of the first \$50 per month, the State may disregard up to the first \$10 completely, plus <math>\frac{1}{2}</math> of the remainder.</p>	<p>In determining need of an aged recipient, a State may, after Dec. 31, 1965, disregard an additional portion of earned income. Of the first \$80 per month, the State may disregard the first \$20 completely, plus <math>\frac{1}{4}</math> of the remainder.</p>												
1. Disregarding earnings in old-age assistance and aged in combined program (title XVI).														

2. Disregarding earnings of disabled individual under title XIV and under title XVI (combined program).

No provision.

In determining need of a disabled recipient under titles XIV and XVI, effective Jan. 1, 1966, of the first \$80 per month of earned income, the State may disregard the first \$20 completely, plus 1/2 of the remainder and may also disregard for up to 36 months such additional amounts of income and resources as may be necessary for the fulfillment of an approved plan for achieving self-support but only while he is actually undergoing vocational rehabilitation.

3. Disregarding earnings in aid to families with dependent children (title IV).

No provision.

In determining need under title IV, effective July 1, 1965, the State may disregard not more than \$50 per month of earned income of each dependent child but not more than 3 in the same home.

4. Disregarding OASDI benefit increase, and child's benefit beyond age 18, to extent attributable to retroactive effective date.

No provision in past legislation to exempt OASDI benefit increases from public assistance income considerations.

Would allow a State to disregard the retroactive portion (January 1965) of the 7 percent benefit increase or the child benefit for children over 18 in school in determining need of the aged, blind, disabled, or families with dependent children.

## II. MENTAL AND TB EXCLUSION

A. Old-age assistance and aged individual in combined program (title XVI).

Federal matching is available as to cash and vendor payment, but does not include—

(1) Cash or vendor payments on behalf of an inmate of a public institution (except as a patient in medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or

(2) Any cash payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof;

(3) Vendor payments on behalf of any individual who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis with respect to any period after the individual has been a patient in such an institution for 42 days.

(1) Deletes tuberculosis and mental exclusion for individuals age 65 or over; retains exclusion as to payments to inmates of a public institution (except as a patient in a mental institution).

(2) Deletes tuberculosis and mental exclusion.

(3) Deletes tuberculosis and mental exclusion entirely

B. Aid to blind and disabled

Federal matching is available as to cash and vendor payment, but does not include—

(1) Cash or vendor payments on behalf of an inmate of a public institution (except as a patient in medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or

(2) Any cash or vendor payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof;

(1) No change.

(2) Deletes tuberculosis and mental exclusion.

C. Medical assistance for the aged

Federal matching is available as to vendor payments but does not include—

(1) Payments on behalf of an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases, or

(2) On behalf of any individual who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis with respect to any period after the individual has been a patient in such an institution for 42 days.

(1) Deletes tuberculosis and mental exclusion; retains exclusion as to payments to inmates of a public institution (except as a patient in a mental institution).

(2) Deletes tuberculosis and mental exclusion entirely.

**PUBLIC ASSISTANCE—Continued**  
**II. MENTAL AND TB EXCLUSION—Continued**

Item	Existing law	H.R. 6675
D. State plan requirements-----	No provision.	<p>As to old-age assistance, medical assistance for the aged, combined program (title XVI) or new medical assistance program (title XIX) adds requirement that if State plan includes cash payment or vendor payments to persons in mental institutions it must—</p> <p>(1) Provide for having in effect arrangements with the State mental health authority or authorities, and, where appropriate, with such institutions, including arrangements for joint planning, development of alternate methods of care, assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, allowing access to patients and facilities, furnishing information, and making reports, as may be necessary to enable the State agency to carry out its responsibilities under the State plan;</p> <p>(2) Provide for an individual plan for each patient to assure that the institutional care provided to him is in his best interests, including, to that end, assurances that there will be initial and periodic review of his medical and other needs, that he will be given appropriate medical treatment within the institution, and that there will be periodic determination of his need for continued treatment in the institution;</p> <p>(3) Provide for the development of alternate plans of care, making maximum utilization of available resources, for recipients who would otherwise need care in such institutions, including appropriate medical treatment and other assistance, for rehabilitation services which are appropriate for such, and for methods of administration necessary to assure that these provisions will be effectively carried out; and</p> <p>(4) Provide methods of determining the reasonable cost of institutional care for such patients.</p> <p>And, if the State elects to provide vendor or cash payments to patients in public institutions for mental diseases, it must be shown that the State is making satisfactory progress toward developing a comprehensive mental health program, including provision for utilization of community mental health centers, nursing homes, and other alternatives to institutional care.</p>
E. Pass along provision-----	No provision.	<p>Federal matching for any State for any quarter which is attributable to State or local expenditures with respect to patients in institutions for tuberculosis or mental diseases shall only be paid to extent that the State makes a showing satisfactory to the Secretary that it has increased Federal, State, and local expenditures for mental health services under public health and public welfare programs in the State over the average of such expenditures for quarters in fiscal year 1965.</p>

### III. PROTECTIVE PAYMENTS

<p>A. Protective payments under old-age assistance, aid to the blind, and aid to the permanently and totally disabled, and the combined program (title XVI).</p>	<p>Federal financial participation as to money payments to needy persons or their legal guardians has been authorized since 1935. Vendor payments, made directly to the suppliers of medical services on behalf of recipients have been authorized by the 1950 amendments. Since 1958, payments have been authorized to be made to another person who is judicially appointed for the purpose of receiving and managing such assistance payments (whether or not he is such individual's legal representative for other purposes).</p>	<p>Authorizes protective payments to be made to a person who is interested in or concerned with the welfare of the needy person under a State plan which provides for—</p> <ol style="list-style-type: none"> <li>(1) Determination by the State agency that payments in this form are necessary because the needy person has, by reason of his physical or mental condition, such inability to manage funds that making cash payments to him would be contrary to his welfare;</li> <li>(2) Special efforts to protect the welfare and improve the ability of the needy individual to manage funds;</li> <li>(3) Periodic review of the situation to determine whether such payments to an interested person are still necessary—and seeking judicial appointment of a guardian or legal representative if and when such action will serve the interests of such needy individual; and</li> <li>(4) Opportunity for a fair hearing before the State agency on the determination that payments to an interested person are necessary.</li> <li>(5) Payments which together with other income meet the individual's need in full.</li> </ol>
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### IV. OTHER CHANGES

<p>A. Definition of medical assistance for the aged.</p>	<p>The term "medical assistance for the aged" means payments of part or all of the cost of care and services (if provided in or after the 3d month before the month in which the recipient makes application for assistance) for individuals 65 years of age or older who are not recipients of old-age assistance but whose income and resources are insufficient to meet all of the cost of medical services.</p>	<p>Eliminates restriction upon Federal matching for recipients of old-age assistance for month they are admitted effective July 1, 1965, or discharged from a medical institution.</p>
<p>B. Exemption of earnings under the poverty program.</p>	<p>The Economic Opportunity Act of 1964 provides that certain amounts of income derived under titles I and II of that act may not be taken into account by State public assistance programs after June 30, 1965.</p>	<p>Provides a further grace period for State compliance with this provision so that no funds will be withheld before the 1st month after the adjournment of a State's first regular legislative session which adjourns after the date of the enactment of the Economic Opportunity Act (Aug. 20, 1964).</p>
<p>C. Administrative and Judicial Review of Administrative Actions: (1) Initial approval of State plan...</p>	<p>No explicit authority for review of Secretary's disapproval of a plan which is submitted by a State.</p>	<p>Sets up specific statutory procedures for review of administrative determinations: When a State submits a new plan under one of the public assistance titles, the Secretary shall make a determination within 90 days as to whether the proposal meets the applicable requirements for approval. This period may be extended by written agreement of the Secretary and the State. If the State is dissatisfied with the Secretary's determination, it may, within 60 days, petition for a reconsideration. The Secretary shall, within 30 days after receipt of the petition, set a time and place for a hearing, to begin from 20 to 60 days after the date notice of the</p>



**MATERNAL AND CHILD HEALTH SERVICES**

**(Title V of Social Security Act)**

Item	Existing law	H.R. 6675
I. Increase in authorization-----	\$40,000,000 for the fiscal year ending June 30, 1966. \$40,000,000 for the fiscal year ending June 30, 1967. \$45,000,000 for the fiscal year ending June 30, 1968 and 1969. \$50,000,000 for the fiscal year ending June 30, 1970 and for each fiscal year thereafter.	\$45,000,000 for the fiscal year ending June 30, 1966. \$50,000,000 for the fiscal year ending June 30, 1967. \$55,000,000 for the fiscal year ending June 30, 1968 and 1969. \$60,000,000 for the fiscal year ending June 30, 1970.
II. Provision for extension of services to additional parts of State.	No provision.	Requirement that after June 30, 1966, a State make a satisfactory showing that it is extending the provision of maternal and child health services with a view to making services available by July 1, 1975, to children in all parts of the State.
III. Payment of reasonable cost of in-patient hospital services.	No provision.	Requires effective July 1, 1967, payment of reasonable cost (as determined in accordance with standards approved by the Secretary and included in maternal and child health services plans of inpatient hospital care).

**CRIPPLED CHILDREN'S SERVICES**  
(Title V of Social Security Act)

Item	Existing law	H.R. 6675
I. Increase in authorization -----	\$40,000,000 for the fiscal year ending June 30, 1966. \$40,000,000 for the fiscal year ending June 30, 1967. \$45,000,000 for the fiscal year ending June 30, 1968 and 1969. \$50,000,000 for the fiscal year ending June 30, 1970 and for each fiscal year thereafter.	\$45,000,000 for the fiscal year ending June 30, 1966. \$50,000,000 for the fiscal year ending June 30, 1967. \$55,000,000 for the fiscal year ending June 30, 1968 and 1969. \$60,000,000 for the fiscal year ending June 30, 1970.
II. Provision for extension of services to additional parts of State.	No provision.	Requirement that after June 30, 1966, a State make a satisfactory showing that it is extending the provision of Crippled Children's Services with a view to making services available by July 1, 1975, the children in all parts of the State.
III. Authorization for grants to institutions of higher learning for training of professional personnel.	No explicit provision.	Authorization of \$5,000,000 for fiscal year ending June 30, 1967, \$10,000,000 for fiscal year ending June 30, 1968, and \$17,500,000 for each fiscal year thereafter for grants to institutions of higher learning for training professional personnel for health and related care of crippled children particularly mentally retarded children and children with multiple handicaps.
IV. Payment of reasonable cost of inpatient hospital services.	No provision.	Requires effective July 1, 1967, payment of reasonable cost (as determined in accordance with standards approved by the Secretary and included in Crippled Children's Services plans of inpatient hospital care).

**CHILD WELFARE SERVICES**  
(Title V of Social Security Act)

Item	Existing law	H. R. 6675
I. Increase in authorization-----	<p>\$40,000,000 for the fiscal year ending June 30, 1966.            \$45,000,000 for the fiscal year ending June 30, 1967.            \$45,000,000 for the fiscal year ending June 30, 1968.            \$50,000,000 for the fiscal year ending June 30, 1969,            and succeeding fiscal years.</p>	<p>\$45,000,000 for the fiscal year ending June 30, 1966.            \$50,000,000 for the fiscal year ending June 30, 1967.            \$55,000,000 for the fiscal year ending June 30, 1968.            \$55,000,000 for the fiscal year ending June 30, 1969.            \$60,000,000 for the fiscal year ending June 30, 1970,            and for each year thereafter.</p>
II. Day care-----	<p>Earmarking: From annual appropriation for child welfare services, the excess over \$25,000,000 is earmarked for support of day care activities in the States, but earmarked amount may not exceed \$10,000,000.</p> <p>Allotments: The earmarked amount is allotted so that each State shall have an amount which bears the same ratio to the total amount earmarked as the product of (1) the population of each State (under the age of 21) and (2) the allotment percentage (based on relative per capita income) bears to the sum of the corresponding products of all the States. But any State allotments under \$10,000 shall be increased to that amount by proportionately reducing allotments to each of the remaining States.</p> <p>State plan requirements: Provides the following requirements:</p> <p>(1) Plan must be developed jointly by the State agency and the Secretary of Health, Education, and Welfare.</p> <p>(2) Plan must provide, with respect to day care—</p> <p>(a) for arrangements with State health and public school authorities to assure maximum utilization of such agencies in the provision of health care and education to day care children;</p> <p>(b) for an advisory committee to advise the State agency on general policy relating to the provision of day care, representing public and private groups interested in day care;</p> <p>(c) for safeguards assuring that day care is provided only in cases where it is in the interest of mother and child, and where a need for it exists; and</p> <p>(d) for giving priority in determining the need for day care, to low income groups, other groups, and geographical areas with the greatest relative needs for such care. Effective July 1, 1963.</p>	<p>Deletes provision for earmarking.</p> <p>Deletes provision for allotments.</p>

**CHILD WELFARE SERVICES—Continued**  
**(Title V of Social Security Act)—Continued**

Item	Existing law	H.R. 6675
II. Day care—Continued	Eligible facilities: Day care which is supported under this program must be provided in facilities (including private homes) which are licensed by the State, or approved (as meeting the licensing requirements) by the State agency which is responsible for licensing this type of facility.	Made a plan requirement that day care under the plan will be provided only in facilities (including private homes) which are licensed by the State or approved as meeting standards established for licensing.

**SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN**

**(Title V of Social Security Act)**

Item	Existing law	H. R. 6675
I. Authorization-----	No provision.	<p>Authorization of \$15,000,000 for the fiscal year ending June 30, 1966, \$35,000,000 for the fiscal year ending June 30, 1967, and increases in the authorization of \$10,000,000 for the fiscal year ending June 30, 1968; and \$5,000,000 each fiscal year thereafter through the fiscal year ending June 30, 1970, for project grants to the State health agency or with its consent the health agency of any political subdivision of the State, to the State agency administering or supervising the administration of the State crippled children's program, to schools of medicine, and to teaching hospitals affiliated with medical schools to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for health care and services for children of school age and preschool children. To be comprehensive in nature projects for children and youth of school age must include screening, diagnosis, preventive services, treatment, correction of defects, and aftercare. Projects must provide for (1) coordination with and utilization of other State and local health, welfare, and education programs for such children; (2) payment of reasonable cost of inpatient hospital services; (3) treatment, correction of defects, or aftercare to be available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control; and (4) inclusion of such screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, medical or dental, as required by the Secretary.</p> <p>Authorizes grants to a State health, mental health or public welfare agency and with the consent of the appropriate State agency to the health, mental health or public welfare agency of any political subdivision of the State, and to any public or nonprofit private agency or institution to pay not to exceed 75 percent of the cost of projects providing for the identification, care, and treatment of children who are or are in danger of becoming emotionally disturbed, including the followup of children receiving such care and treatment. A project must provide for coordination of the care and treatment provided under it with, and utilization (to the extent feasible) of, community mental health centers and other State or local agencies engaged in health, welfare, or education programs or activities for such children. The Secretary is required to make a full report before July 1, 1969, of the administration of these project grants for the health care of school and preschool children with his evaluation and recommendations as to continuation or modification of the program.</p>

**MISCELLANEOUS AMENDMENTS RELATING TO HEALTH CARE**

Item	Existing law	H.R. 6675
I. Health Study of Resources Relating to Children's Emotional Illness.	No provision.	Authorizes an appropriation of \$500,000 each for the fiscal year ending June 30, 1966, and the fiscal year ending June 30, 1967, for grants for research into and study of the resources, methods, and practices for diagnosing or preventing mental illness in children and of treating, caring for, and rehabilitating children with emotional illness.
II. Grants for mental retardation planning. (Title XVIII of the Social Security Act.)	\$2,200,000 was authorized for grants during fiscal 1964 and fiscal 1965.	Authorizes \$2,750,000 for fiscal 1966 and fiscal 1967. Sums appropriated during fiscal 1966 are for grants during that year and the 2 succeeding fiscal years. Sums appropriated in fiscal 1967 are also available until June 30, 1968.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE**

**(Title II of the Social Security Act)**

**I. COVERAGE**

Item	Existing law	H.R. 6675
A. Self-employed-----	<p><i>Covers</i> all self-employed if they have net earnings from self-employment of \$400 a year except that certain types of income, including dividends, interest, sale of capital assets, and rentals from real estate (including certain rentals paid in crop shares—see item 3, “Farm operators”) are not covered unless received by dealers in real estate and securities in the course of business dealings.</p>	<p>Permits exemption from the social security self-employment tax of individuals who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of a religious sect (or division thereof) of which they are members. The exemption could be granted with respect to taxable years beginning after Dec. 31, 1950.</p> <p>The sect (or division thereof) must be one that has been in existence at all times since Dec. 31, 1950, and has for a substantial period of time been making reasonable provision for its dependent members. Before an individual could be granted exemption he would be required to waive all benefits and other payments under any insurance system established by the Social Security Act on the basis of his own earnings as well as all such benefits and other payments to him based on the earnings of any other person. The exemption could not be granted to any person who has been entitled to social security benefits, or to one whose earnings have provided the basis for entitlement to social security benefits for any other person.</p>
1. Professional groups-----	<p><i>Covers</i> all professional groups except physicians.</p>	<p><i>Covers</i> physicians. Effective for taxable years ending on or after Dec. 31, 1965.</p>
2. Ministers-----	<p><i>Covers</i> duly ordained, commissioned or licensed ministers, Christian Science practitioners, and members of religious orders (other than those who have taken a vow of poverty) serving in the United States, and those serving outside the country who are citizens and either working for U.S. employers or serving a congregation predominantly made up of U.S. citizens. Coverage is available under the self-employment coverage provisions on an individual voluntary basis regardless of whether they are employees or self-employed.</p>	<p>Permits social security credit to be obtained for the earnings of certain ministers who died or filed waiver certificates before April 16, 1965, where such earnings were reported for social security purposes but cannot be credited under present law.</p>
3. Farm operators-----	<p><i>Covers</i> farm operators on the same basis as other self-employed persons except that farm operators whose annual gross earnings are \$1,800 or less can report either their actual net earnings or 66½ percent of their gross earnings.</p> <p>Farmers whose annual gross earnings are over \$1,800 report their actual net earnings if over \$1,200, but if actual net earnings are less than \$1,200, they may report \$1,200.</p>	<p>Modifies exception so that farm operators whose annual gross earnings are \$2,400 or less can report either their actual net earnings or 66½ percent of their gross earnings. Farmers whose gross earnings are over \$2,400 report actual net earnings if over \$1,600, but if actual net is less than \$1,600, they may report either actual net earnings or \$1,600. Effective as to taxable years beginning after Dec. 31, 1965.</p>

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**I. COVERAGE—Continued**

Item	Existing law	H.R. 6675
A. Self-employed—Continued		
3. Farm operators—Continued	Rentals from real estate are not creditable as self-employment earnings, but if landlord under arrangements with tenant or share farmer participates materially in the production of, or in the management of, the crops or livestock on his land, the income is covered.	No change.
4. Public officials-----	<i>Excludes</i> individuals performing functions of public officials.	No change.
5. Newspaper vendors-----	<i>Covers</i> individuals over 18 who buy newspapers and magazines at one price and sell them at another regardless of whether they are guaranteed minimum compensation or may return unsold papers and magazines.	No change.
(See p. 45 for cash tips.)		
B. Employees-----	<i>Covers</i> employees including certain agent or commission drivers, life insurance salesmen, homeworkers, traveling salesmen, and officers of corporations regardless of the common-law definition of employee.	No change.
1. Agricultural workers-----	<i>Covers</i> agricultural workers who either (1) are paid \$150 or more in cash wages in a calendar year by an employer or (2) perform agricultural labor for an employer on 20 days or more during the calendar year. Workers who are recruited and paid by a crew leader shall be deemed to be employees of the crew leader if such crew leader is not, by written agreement, designated to be an employee of the owner or tenant and if such crew leader is customarily engaged in recruiting and supplying individuals to perform agricultural labor; under such circumstances the crew leader shall be deemed to be self-employed. <i>And excludes:</i> a. Mexican contract workers. b. Workers lawfully admitted to the United States from the Bahamas, Jamaica, and other islands in the British West Indies or from any other foreign country or its possessions, on a temporary basis to perform agricultural labor.	
2. Domestic workers-----	<i>Covers</i> persons performing domestic service in private nonfarm homes if they receive \$50 or more during a calendar quarter from 1 employer. Noncash remuneration is excluded. <i>Excludes</i> students performing domestic service in clubs or fraternities if enrolled and regularly attending classes at school, college, or university.	No change.
3. Casual labor-----	<i>Covers</i> cash remuneration for service not in the course of the employer's trade or business if the remuneration is \$50 or more from 1 employer during a calendar quarter.	No change.

4. Cash tips-----

Tips received by employees are generally not counted as wages. While employees' tips are not mentioned in the law, regulations exclude from wages tips paid directly to an employee, and not accounted for by the employer to the employer.

5. State and local government employees.

Covers employees of State and local governments provided the individual State enters into an agreement with the Federal Government to provide such coverage, with the following special provisions:

a. States have the option of covering or excluding employees in any class of elective position, part-time position, fee-basis position, or performing emergency services.

b. Excludes the services of the following persons, specifying that they cannot be included in a State agreement and cannot, therefore, be covered:

- (1) Employees on work relief projects;
- (2) Patients and inmates of institutions who are employed by such institutions;

(3) Services of the types which would be excluded by the general coverage provisions of the law if they were performed for a private employer, except that agricultural and student services in this category may be covered at the option of the State.

c. Employees who are in positions covered under an existing State or local retirement system may be covered under State agreements only if a referendum is held by a secret written ballot, after not less than 90 days' notice, and if the majority of eligible employees under the retirement system vote in favor of coverage. However, employees in policemen and firemen positions under a State and local retirement system cannot be covered in the agreement. The Governor of a State or his delegate must certify that certain Social Security Act requirements under the referendum procedure have been properly carried out. In most States, all members of a retirement system (with minor exceptions) must be covered if any members are covered.

Employees of any institution of higher learning (including a junior college or a teachers' college and employees of a municipal or county hospital) under a retirement system can, if the State so desires, be covered as a separate coverage group, and 1 or more political subdivisions may be considered as a separate coverage group even though its employees are under a statewide retirement system.

Cash tips received by an employee in the course of his employment are covered as income from self-employment for social security tax and benefit purposes, except that tips which are covered as wages under present law would continue to be covered as wages. In computing the tipped employee's net earnings from self-employment, only business expenses attributable to tips covered as income from self-employment are to be deducted.

Effective for taxable years beginning after 1965.

Permits Iowa and North Dakota to modify their agreements to exclude services performed by students, including services already covered, in the employ of a school, college, or university in any calendar quarter if the remuneration for such services is less than \$50. The modification would specify the effective date of the exclusion, but it could not be earlier than the date of enactment.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**I. COVERAGE—Continued**

Item	Existing law	H. R. 6675
<p><b>B. Employees—Continued</b>                      5. State and local government employees—Continued</p>	<p>In addition, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees who are members or who have an option to join more than 1 State or local retirement system cannot be covered unless all such retirement systems are covered.</p> <p>Individuals in positions under retirement systems on Sept. 1, 1954, are precluded from obtaining coverage under the nonretirement system coverage provisions.</p> <p>The 1960 amendments permit California to cover, before 1962, persons employed by a hospital in 1957, 1958, or 1959 in positions removed, after Sept. 1, 1954 and before 1960, from retirement system coverage for whom social security taxes were erroneously paid. Hospital employment before 1960 on which taxes were paid and all subsequent hospital employment of such persons could be covered.</p> <p><i>Exceptions to general law concerning coverage in named States:</i></p> <p>(1) <i>Split-system provisions.</i>—Authorizes California, Connecticut, Florida, Georgia, Hawaii, Massachusetts, Minnesota, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin, and all interstate instrumentalities, at their option, to extend coverage to the members of a State retirement system by dividing such a system into 2 divisions, 1 to be composed of those persons who desire coverage and the other of those persons who do not wish coverage, provided that new members of the retirement system coverage group are covered compulsorily. Also authorize similar treatment of political subdivision retirement systems of these States.</p> <p>Those employees covered by a divided retirement system who did not elect coverage in the original agreement, may, nevertheless elect coverage until 1963, or, if later, until 2 years after the date on which coverage was approved for the group that originally elected coverage. Also provides that the coverage of persons electing under this amendment would begin on the same date as coverage became effective for the group originally covered.</p>	<p>H. R. 6675</p> <p>Would modify provision so that service of persons in such positions after 1959 would also be covered. Upon modification of agreement by the end of 6 months following month of enactment, service performed on or after Jan. 1, 1962, would be covered. Services performed before Jan. 1, 1962, would be covered, if contribution in the proper amount was paid prior to date of enactment.</p> <p>Adds Alaska to the list. Effective upon enactment.</p> <p>Extends the time in which such employees can elect to be covered until the end of 1966 (or, if later, the expiration of 2 years after the date on which coverage was approved for the group that originally elected coverage). Effective upon enactment.</p>

6. Employees of nonprofit organizations.

Also provides that where an individual who has chosen not to be covered under the divided retirement system provision becomes a member of a different retirement system group which has elected coverage because of the annexation of the employing political subdivision by another political subdivision, or through some other action taken by a political subdivision, such individual will continue to be excluded from coverage.

(2) *Policemen and firemen.*—Allows the States of Alabama, California, Florida, Georgia, Hawaii, Kansas, Maine, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, and Washington and all interstate instrumentalities to make coverage available to policemen and firemen in those States, subject to the same conditions that apply to coverage of other employees who are under State and local retirement systems, except that where the policemen and firemen are in a retirement system with other classes of employees the policemen and firemen may, at the option of the State, hold a separate referendum and be covered as a separate group.

(3) *Employees of unemployment compensation systems.*—Authorizes Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, and Hawaii, at their option, to cover their employees who are paid wholly or partly from Federal funds under the unemployment compensation provisions of the Social Security Act—either by themselves or with the other employees of the department of the State in which they are employed—after complying with the referendum provisions.

(4) Retirement systems in Maine (1958 amendments)—permits State of Maine until July 1, 1965, to treat teaching and nonteaching employees who are in the same retirement system as though they were under separate retirement systems for social security coverage purposes.

d. Coverage on a compulsory basis is provided for employees of certain publicly owned transportation systems.

e. *Effective date of coverage agreement.*—Allows agreements or modifications made after 1959 to begin as early as 5 years before the year in which an agreement is made, but no earlier than Jan. 1, 1956. Where a retirement system is covered as a single retirement system coverage group, permits the State to provide different beginning dates for coverage of the employees of different political subdivisions.

Covers employees of religious, charitable, educational, and other nonprofit organizations (which are exempt from income tax and are described in sec. 501(c)(3) of the Internal Revenue Code) on a voluntary basis if the employer organization certifies that it desires to extend coverage to its employees.

Employees may concur by signing a list or supplemental list which is filed within 24 months after the

No change.

No change.

Extends cutoff date to July 1, 1970.

No change.

No change.

No change.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

(Title II of the Social Security Act)—Continued

I. COVERAGE—Continued

Item	Existing law	H. R. 6675
<p>B. Employees—Continued 6. Employees of nonprofit organizations—Continued</p>	<p>quarter in which the certificate is filed. Employees who do not concur in the filing of the certificate are not covered <i>except</i> that all employees hired after a certificate becomes effective are covered.</p> <p>Waiver certificate may be made effective at the option of the organization on the 1st day of the quarter in which the certificate is filed, the 1st day of the succeeding quarter, on the 1st day of any of the 4 quarters preceding the quarter in which the certificate is filed.</p> <p>Employees of nonprofit organizations who are in positions covered by State and local retirement systems and are members or eligible to become members of such systems must be treated apart from those not in such positions. Certificates must be filed separately for each group. All new employees who belong to a group for which a certificate has been filed are automatically covered, and new employees who belong to a group for which a certificate has not been filed are not covered.</p>	<p>Permits nonprofit organizations to elect coverage as early as the 1st day of the 20th calendar quarter preceding the quarter in which the certificate of waiver is filed. Permits the validation of certain erroneous wage reportings by nonprofit organizations.</p> <p>Effective upon enactment. Adds provisions (1) giving those employees to whom additional retroactive coverage is made applicable an individual choice of such coverage, and (2) permitting certain employees whose wages were erroneously reported by a nonprofit organization during the period the organization's waiver certificate was in effect to validate such erroneously reported wages.</p>
<p>7. Federal employees-----</p>	<p><i>Excludes</i> employees of the United States or its instrumentalities if—</p> <ul style="list-style-type: none"> <li>a. they are covered by a retirement system established by Federal law; or</li> <li>b. they perform services— <ul style="list-style-type: none"> <li>(1) as the President, Vice President, or a Member of Congress;</li> <li>(2) in the legislative branch;</li> <li>(3) in a penal institution as an inmate;</li> <li>(4) as certain interns, student nurses, and other student employees of Federal hospitals;</li> <li>(5) as employees on a temporary basis in disaster situations;</li> <li>(6) as employees not covered by the Civil Service Retirement Act because they are subject to another retirement system (other than the retirement system of the Tennessee Valley Authority); or</li> </ul> </li> <li>c. the instrumentality has been specifically exempted by statute from the employer tax; or</li> <li>d. the instrumentality was exempt from the employer tax on Dec. 31, 1950, and its employees are covered by its retirement system.</li> </ul> <p><i>Covers</i> the following Federal employees excepted from the exclusion in 7-d unless they are excluded on the basis of one of the other provisions:</p> <ul style="list-style-type: none"> <li>a. employees of a corporation which is wholly owned by the United States;</li> </ul>	<p>No change, except—</p> <p>Excepts from exclusion and thereby provides coverage to medical or dental interns or residents in training. Effective as to services performed after 1965.</p> <p>Extends coverage to employees of the District of Columbia not covered by any retirement system established by a law of the United States. Effective date: amendments apply to services performed after the quarter in which the Secretary of the Treasury receives a certification from the District of Columbia Commissioners that they desire coverage of these services.</p>

8. Students, interns, and nurses in schools and hospitals.	<p>b. employees of a national farm loan association, a production credit association, a Federal Reserve bank, or a Federal credit union;</p> <p>c. employees (not compensated by funds appropriated by Congress) of the post exchanges of the various armed services (including the Coast Guard) and other similar organizations at military installations;</p> <p>d. employees of a State, county, or community committee under the Production and Marketing Administration.</p> <p><i>Excludes—</i></p> <p>a. Students in the employ of a school, a college, or university if enrolled and regularly attending classes;</p> <p>b. student nurses employed by a hospital or nurses training school if enrolled and regularly attending classes;</p> <p>c. interns in the employ of a hospital if they have completed a 4-year course in an approved medical school.</p>	No change, except—
9. Newsboys-----	<p><i>Covers individuals 18 and over who deliver and distribute newspapers or shopping news, but covers individual under 18 only if they deliver or distribute such publication to points for subsequent delivery or distribution.</i></p>	<p>Covered on the same basis as other employees of the same employer, effective as to service performed after 1965.</p> <p>No change.</p>
10. Members of the Armed Forces-----	<p><i>Covers members of the uniformed services, after December 1956, while on active duty (including active duty for training), with contributions and benefits computed on basic military pay.</i></p> <p><i>Noncontributory wage credits of \$160 per month are granted, in general, for each month of active service in the Armed Forces of the United States during the World War II period (Sept. 16, 1940–July 24, 1947) and during the postwar emergency period (July 25, 1947–Dec. 31, 1956).</i></p> <p><i>Extends the noncontributory wage credits to certain American citizens who, prior to Dec. 9, 1941, entered the active military or naval service of countries that, on Sept. 16, 1940, were at war with a country with which the United States was at war during World War II. Wage credits of \$160 would be provided for each month of such service performed after Sept. 15, 1940, and before July 25, 1947. To qualify for such wage credits, an individual must either have been a U.S. citizen throughout the period of his active service or have lost his U.S. citizenship solely because of his entrance into such active service. He must have resided in the United States for at least 4 years during the 5-year period ending on the day of his entrance into such active service and must have been domiciled in the United States on such day.</i></p>	No change.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**I. COVERAGE—Continued**

Item	Existing law	H.R. 6675
<b>B. Employees—Continued</b>		
11. Railroad employees-----	Under coordination provisions contained in the Railroad Retirement Act: (1) employment under both the railroad system and the old-age and survivors insurance system is counted for purposes of survivor benefits under either system; (2) railroad employment of workers with less than 10 years of railroad service is credited under the Social Security Act and the benefits based on such employment are payable under this act; and (3) provision is made for mutual financial interchange between the 2 systems in order to place the Old-Age and Survivors Insurance and Disability Insurance Trust Funds in the same position in which they would have been if railroad service after 1936 had been counted as social security employment.	Amends section (1)(q) of the Railroad Retirement Act to provide that references to the Social Security Act in the Railroad Retirement Act will be considered to be references to the Social Security Act as amended in 1965, so that the present RR-OASDI coordination will continue to operate in all ways with respect to the Social Security Act as amended by the bill. Increases the amount of social security earnings that may be credited under the survivors provisions of the railroad retirement program to such an amount as to cause the combined total earnings to be as much as the new wage and tax base under social security—\$6,600 a year after 1965.
12. Family employment-----	<i>Excludes</i> services rendered by— (1) One spouse for another. (2) Child under 21 for his parents. (3) Parents for their children, if such services are domestic services rendered in the home of the child, or such services are not rendered in the course of the child's trade or business.	No change.
13. Employees of Communist organizations.	<i>Excludes</i> from coverage employees of any organization which is registered, or against which there is a final order of the Subversive Activities Control Board to register, under the Internal Security Act as a Communist-action, a Communist-front, or Communist infiltrated organization.	No change.

**II. PROVISIONS RELATING TO DISABILITY**

<b>A. Nature of the provisions:</b>		
1. Benefits-----	Provides monthly benefits for disabled workers meeting eligibility requirements. Benefits are computed in the same way as retirement benefits and are payable from the Federal Disability Insurance Trust Fund.	No change.
2. Disability "freeze"-----	Provides that when an individual for whom a period of disability has been established dies, or retires, on account of age or disability, his period of disability will be disregarded in determining his eligibility for benefits and his average monthly wage for benefit computation purposes.	No change.

B. Eligibility requirements:

1. Definition-----

For benefits or for the freeze, an individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. (For purposes of the freeze only, a specified degree of blindness is presumed disabling.) The impairment must be medically determinable and one which can be expected to be of long-continued and indefinite duration or to result in death.

Eliminates the requirement that a worker's disability must be expected to be of long-continued and indefinite duration. Provides that an insured worker would be eligible for disability benefits if he has been under a disability which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 calendar months.

2. Entitlement to other benefits---

Entitlement to a benefit payable on account of old age precludes entitlement to a disability insurance benefit.

A person who becomes entitled before age 65 to a benefit payable on account of old age can later become entitled to disability insurance benefits. If prior benefit was a reduced benefit, disability insurance benefits would be reduced to take account of payment made for prior months.

3. Waiting period-----

An initial 6-month "waiting period" is required before disability insurance benefits will be paid. Benefits are payable for 7th month. However, benefits may be paid for the 1st full month of disability to a worker who becomes disabled within 60 months (5 years) after termination of disability insurance benefits or a period of disability.

No change.

4. Termination of benefits-----

Provides that benefits shall not be paid after the 2d month following the month in which a worker's disability ceases.

No change.

5. Insured status (work requirement),

To be eligible an individual must—(1) have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the period of disability begins; (2) be fully insured.

No change.

6. Applications-----

a. Provides that an individual must be under a disability when his application for a period of disability is filed.

a. Eliminates the requirement that an individual must be under a disability when his application for a period of disability is filed and substitutes instead the requirement that no application for a disability determination which is filed more than 12 months after the month in which a period of disability would end shall be accepted. This amendment permits payment of benefits in those cases of extended disability which terminated before an application was filed. Payment would be made only for months of disability which fall within the period of retroactivity of the application.

b. Provides that the life of an application for benefits is 3 months (9 months for disability benefits); i.e., an applicant has 3 months from the date of application to qualify for benefits before his application expires.

b. Extends the life of applications for social security benefits to the date of the final decision thereon by the Secretary.

C. Payment for rehabilitation services-----

No applicable provision.

Provides for reimbursement from social security trust funds to State vocational rehabilitation agencies for the cost of vocational rehabilitation services furnished to disability insurance beneficiaries. Total amount of the funds that may be made available for such reimbursement could not, in any year, exceed 1 percent of the social security disability benefits paid in the previous year.

D. Disability determinations-----

Provides that disability determinations, including determinations that a disabled person had recovered, generally must be made by State agencies under agreements with the Social Security Administration.

Authorizes the Social Security Administration to make disability determinations in those cases which can be promptly adjudicated on the basis of readily available evidence and to terminate entitlement to benefits in cases of recovery based on such evidence or on evidence received that the beneficiary has returned to gainful work.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**II. PROVISIONS RELATING TO DISABILITY—Continued**

Item	Existing law	H.R. 6675
E. Disability benefits offset.....	No applicable provision.....	Adds a disability benefits offset provision to existing law under which the social security disability benefit for any month for which a worker is receiving a periodic workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in earnings levels.

**III. BENEFIT CATEGORIES**

A. Worker—old age.....	<p>Full benefit payable at age 65 to fully insured retired worker. Payable at age 62 to fully insured retired worker, but on an actuarially reduced basis. Benefit is reduced by <math>\frac{1}{4}</math> of 1 percent for each month worker is entitled to receive a benefit before age 65—the total reduction is 20 percent if worker begins drawing benefits at age 62. The reduced amount is permanent, continuing after worker reaches age 65.</p> <p>In the case where a woman is entitled to a reduced old-age insurance benefit and at the same time or subsequently becomes entitled to a wife's benefit, the wife's benefit would be reduced by the dollar reduction which was applicable to the old-age benefit, plus the regular reduction amount on the excess of the unreduced wife's benefit over the unreduced old-age benefit.</p> <p>A similar provision is applicable to men entitled to reduced benefit old-age and dependent husband's benefit.</p>	<p>No change.</p> <p>No change.</p>
<p>B. Wife or dependent husband.....</p> <p><i>Reduction where individual is entitled to a wife's benefit and an old-age benefit.</i></p>	<p>A full benefit for a wife or dependent husband is 50 percent of spouse's primary benefit.</p> <p>Full benefit paid at age 65. Payable at age 62 to a wife or dependent husband, but on an actuarially reduced basis. Benefit is reduced by <math>\frac{2}{3}</math> of 1 percent for each month prior to age 65. An individual who takes benefit at 62 receives 75 percent of full benefit.</p>	No change.
C. Widow, widower, or parent.....	<p>Full benefit payable at age 62 to widow, dependent widower, or surviving dependent mother or father of the insured worker.</p> <p>Full benefit is 82.5 percent of deceased worker's primary benefit (75 percent each in case of 2 parents).</p>	<p>Widows would be allowed to elect an actuarially reduced benefit upon attaining age 60. Benefits would be reduced by <math>\frac{1}{4}</math> of 1 percent for each month she is entitled to receive a benefit prior to age 62. Thus the reduction for a widow who elects a benefit when she attains age 60 would be <math>13\frac{1}{4}</math> percent for the 24-month period—reducing her benefit from <math>82\frac{1}{4}</math> percent of her husband's benefit to <math>71\frac{1}{4}</math> percent of his benefit.</p>

D. Children-----

A child's benefit is paid to child of the insured worker who has died, reached retirement age, or become disabled if the child is unmarried and either—

- (a) Is under age 18, or
- (b) Is under a disability which began before age 18.

In the case of a widow who is entitled to an old-age benefit in her own right, the old-age benefit will be reduced to take into account widow's benefits paid to her before age 62.

Effective for benefits beginning with the 2d month after the month of enactment on the basis of applications filed in or after month of enactment.

No change as to widowers and parents.

(b) Is under a disability which began before he attained age 22.

Adds a 3d qualifying alternative:

(c) Is age 18 or over and under age 22 if he is a full-time student.

Permits a child whose benefits have terminated because he has attained age 18 to become reentitled upon filing a new application if he is a [full-time student and has not attained 22.

Provision would prevent a wife, widow, or surviving divorced mother from getting benefits if the only child in her care has attained 18 and is getting benefits solely because he is a student.

*Student and institution defined:* A full-time student is defined as an individual who is in full-time attendance as a student at an educational institution; whether or not the student was in full-time attendance would be determined by the Secretary in the light of the standards and practices of the school involved. Specifically excluded is a person who is paid by his employer while attending school at the request of his employer. Provides for benefits for any period of 4 calendar months or less in which a person does not attend school if the person shows to the satisfaction of the Secretary that he intends to continue in full-time school attendance immediately after the end of the period, or does in fact return.

An educational institution is defined so as to permit the payment of benefits to students taking vocational or academic courses and includes all public schools, colleges, and universities and all accredited private schools, colleges, or universities. An accredited school would be one approved by a State recognized or nationally recognized accrediting association. Also included are those nonaccredited schools, colleges, and universities whose credits are accepted, on transfer by 3 accredited institutions on the same basis as if transferred from an accredited institution.

Effective for January 1965 on basis of applications filed in or after month of enactment.

For children currently on rolls, no application will be required.

In the case of a disabled child who becomes entitled on the basis of the revised requirements for disability, the effective date is the 2d month after the month of enactment.

**OLD-AGE SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**III. BENEFIT CATEGORIES—Continued**

Item	Existing law	H. R. 6675
D. Children—Continued	<p>Definition of a child based on the laws applied in determining the devolution of intestate personal property in the State in which the worker is domiciled.</p> <p>A child adopted by a worker who is already retired and getting old-age insurance benefits can become entitled to benefits without regard to whether he was dependent on the worker at the time the latter retired.</p>	<p>Includes in definition of child a child who cannot inherit his father's intestate personal property if the father had acknowledged him in writing, had been ordered by a court to contribute to his support, had been judicially decreed to be his father or had been shown by other satisfactory evidence to be his father and was living with or contributing to his support.</p> <p>Child adopted by retired worker can get benefits if (1) at the time the worker became entitled to benefits the child was living with the worker or adoption proceedings had begun (2) the adoption was completed within 2 years of the time when the worker became entitled to benefits and (3) the child had been receiving ½ of his support from the worker for the entire year before the worker became entitled to old-age insurance benefits or, if the worker had a period of disability which continued until he became entitled to old-age insurance benefits, before the beginning of the period of disability.</p> <p>Effective for applications filed on or after the date of enactment.</p>
E. Wife, husband, widow, and widower-----	<p>Widow's benefits are paid without regard to remarriage to an individual who dies within one year of the remarriage and is not fully insured at his death and mother's insurance benefits are paid without regard to remarriage to an individual who dies if the widow or former wife divorced is not eligible for benefits on his earnings record.</p> <p>Widow's, widower's or mother's insurance benefits are not payable to a remarried spouse of a deceased worker; exception is made where the remarriage is to certain specified social security beneficiaries.</p> <p>Wife, husband, widow and widower must have been married to the worker for one year to qualify for benefits; exception is made where, in the month preceding the marriage, the spouse was actually or potentially entitled to a widow's, widower's, parent's or disabled adult child's benefit under the social security program.</p>	<p>Widow's benefits would be paid to an aged widow and mother's benefits would be paid to a young widow or surviving divorced mother who is not married regardless of intervening marriages.</p> <p>Benefits based on a prior spouse's earnings record would be payable to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit would be 50 percent of the primary insurance amount of the deceased spouse.</p> <p>Exception to the one-year duration-of-marriage requirement extended to the spouse who was, in the month preceding the marriage, actually or potentially entitled to a widow's, widower's, parent's or (if over age 18) child's annuity under the Railroad Retirement Act.</p>
F. Divorced wife, widow-----	<p>Benefits are payable to a divorced woman only if she has a child of the deceased worker in her care and the child is getting benefits based on his deceased father's earnings, if she has not remarried, and if she had been getting at least ½ of her support from her former husband under a court order or agreement at the time of his death.</p>	<p>Wife's or widow's benefits would be payable to an aged divorced woman if she (A) had been married to her former husband for 20 years before the divorce; (B) who is not married, regardless of intervening marriages; and (C) met the following support requirement when her former husband became disabled, entitled to benefits or died: (1) She was receiving ½ of her support from her former husband, or (2) she was receiving substantial contributions from him pursuant to a written agreement, or (3) a court order for substantial contributions was in effect.</p>

G. Dependency of husbands and widowers.

Wife must be currently insured and have provided  $\frac{1}{2}$  of husband's or widower's support; exception made where the husband or widower was, in the month preceding the marriage, actually or potentially entitled to widower's, parent's or disabled adult child's benefits under the social security program.

No provision.

H. "Transitional insured status" for certain workers, wives and widows aged 72 or over.

I. Time for filing proof of support and application for lump-sum death payment.

Proof of support for husband's, widower's, and parent's benefits, and applications for lump-sum death payments must be filed within a 2-year period specified in the law with an additional 2-year period allowed where there was good cause for failure to file on time.

Payment of a wife's or widow's benefit to a divorced woman would not reduce the benefits paid to any other person on the same social security account and such wife's or widow's benefit would not be reduced because of other benefits payable on the same account.

Benefits for a divorced wife or a surviving divorced wife would not terminate on account of remarriage in those cases where widow's benefits under present law do not terminate—that is, where the remarriage is to a man getting benefits as a dependent widower or parent or as a disabled child aged 18 or over. If a divorced wife or a surviving divorced wife married an old-age insurance beneficiary, her benefits would terminate but she would immediately be eligible for wife's benefit on her new husband's account.

A wife's benefits would not terminate when the woman and her husband are divorced if the marriage has been in effect for 20 years.

The support requirements that must be met by a former wife divorced (renamed "surviving divorced mother" in the bill) in order to qualify for mother's benefits based on the social security account of her deceased former husband would be conformed to the new support requirements for aged divorced women.

Provides an exception to the currently insured and  $\frac{1}{2}$  support requirements where the husband or widower was, in the month preceding the marriage, actually or potentially entitled to a widower's, parent's or (where over age 18) child's annuity under the Railroad Retirement Act.

(See fully insured status p. 59.)

If there is good cause for failure to file in the initial 2-year period an applicant would be allowed to file at any time. Effective with respect to applications for lump-sum death payments filed in or after the month of enactment, and monthly benefits based on applications filed in or after such month.

#### IV. BENEFIT AMOUNTS

A. Creditable earnings.....

Maximum amount of earnings which may be credited for benefit purposes is \$4,800 a year.

B. Average monthly wage.....

In general, an individual's "average monthly wage" which determines his old-age insurance benefit amount (before reduction for retirement before age 65) is computed by dividing the total of his creditable earnings after the applicable starting date and up to the applicable closing date, by the number of months involved. Excluded from this computation are all months and all earnings in any year any part of which was included in a period of disability under the disability "freeze" (except that the months and earnings in the year in which the period of disability begins may be included if the resulting benefit would be higher).

The average monthly wage in retirement cases is computed on the basis of a constant number of years, re-

Raises maximum amount to \$6,600 beginning with 1966.

No change except—

Worker may have average monthly wage computed entirely on years after 1950 regardless of

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**IV. BENEFIT AMOUNTS—Continued**

Item	Existing law	H.R. 6675
<p><b>B. Average monthly wage—Continued</b></p>	<p>regardless of when, before age 22, the person started to work or when, after retirement age (62 for women, 65 for men) he files application for benefits. The number of years for a person who had at least 6 quarters of coverage after 1950 would be equal to 5 less than the number of years (excluding years in periods of disability) elapsing after 1950 or after the year in which the individual attained age 21, whichever is later, and up to the year in which the person was first eligible for old-age insurance benefits (generally the year in which he attained retirement age). In death and disability cases the number of years would be determined by the date of death or disability.</p> <p>In those cases where a larger benefit would result (because the individual's best earnings were in years before 1951) the number of years would be those elapsing after 1936, rather than 1950.</p> <p>The earnings used in the computation would be earnings in the highest years. Earnings in years prior to attainment of age 22 or after attainment of retirement age could be used if they were higher than earnings in intervening years. The span of years could never be less than 2. Generally, the span of years to be used for the benefit computation in retirement cases could not be less than 5—the number of years that would have to be used under the prior law by people who attained retirement age in 1961.</p>	<p>whether he has 6 quarters of coverage after 1950, and his closing date would be the year of attainment of age 65 (62 for women) regardless of whether he is eligible (insured) in that year.</p>
<p><b>C. Recomputations-----</b></p>	<p>After a person has become entitled to benefits, he may, under certain circumstances, have his "average monthly wage" recomputed if it will increase his monthly benefit:</p> <p>(1) Recalculation to correct errors in original computation.</p> <p>(2) 1954 work recomputation: Where an individual who has 6 quarters of coverage after 1950 returns to work after becoming entitled to benefits and earns more than \$1,200 in a year he may have his average monthly wage recomputed including such earnings. Survivors are also entitled to any increase in benefits which would result from such recomputation.</p> <p>(3) Dropout recomputation: Beneficiary who became entitled to benefits prior to the amendment which allowed a dropout of 5 years of lowest earnings may have a recomputation using the dropout if he has 6 quarters of coverage after June 1953. Survivors are entitled to any increases which would result from such a recomputation.</p> <p>(4) Current year recomputation: An individual becoming entitled to benefits after August 1954</p>	<p>Provides for automatic annual recomputation; beginning with 1965, earnings in and after the year of 1st entitlement will be taken into account regardless of whether the worker has 6 quarters of coverage after 1950, or earns over \$1,200, or files an application to have his benefits recomputed. Individuals eligible for a recomputation under present law would be deemed to have applied for such recomputation no later than Jan. 1, 1966 (so that it would be made automatically).</p>

may have a recomputation which will include earnings in the year he retires if such earnings were not included in the original calculation. Survivors are entitled to any increases which would result from such a recomputation.

(5) Recomputation of benefits at age 65 (the "round up"): If a reduced benefit has been withheld (most common reason would be earnings which caused benefit withholding under the retirement test) for at least 3 months (during the period of reduced benefit) a person is entitled to a recomputation at age 65 which will readjust post-65 benefits to take into account the months in which the reduced benefit was withheld.

(6) Other recomputations: Provides several recomputations of limited application.

**D. Benefit formula-----**

The law provides a consolidated benefit table which is used in determining benefit amounts for both future beneficiaries and those now on the benefit rolls.

Though not specifically stated in the law the formula for the primary insurance amount is, in effect, 58.85 percent of the 1st \$110 of the average monthly wage, plus 21.40 percent of the next \$290 of such wage (except that in some cases, for average monthly wages under \$85, a slightly higher amount is payable so as to fit in with the minimum benefit).

**E. Maximum primary insurance amount---**

\$127 a month (\$400 average monthly wage).

**F. Minimum primary insurance amount---**

\$40 a month.

**G. Maximum family benefits-----**

Family maximum monthly benefits are set by the table and range from \$53 to \$254. Though not specifically stated in the law, the maximum family benefit shown in the benefit table is 1½ times the primary insurance amount or approximately 80 percent of the average monthly wage, whichever is larger, up to an absolute maximum of \$254—twice the maximum primary insurance amount of \$127.

**H. Lump-sum death payment-----**

3 times the primary insurance amount with a statutory maximum of \$255.

Provision also made applicable at age 62 to reduced benefits for widows who were aged 60-61 at time of claim.

The existing benefit table is amended so as to increase all primary insurance amounts by 7 percent, with a \$4 guaranteed minimum increase.

The existing benefit table is replaced by a new benefit table to reflect the annual earnings base of \$6,600 effective in 1966. For average monthly wages above \$400, primary insurance amounts are derived by applying the benefit formula underlying the present table and adding \$9.00, the amount of increase provided for persons with the present maximum average monthly wage of \$400 (\$8.90 rounded to the nearest dollar).

The formula underlying the new benefit table is approximately 62.97 percent of the 1st \$110 of the average monthly wage, plus 22.9 percent of the next \$290, plus 21.4 percent of the next \$150.

Increases to \$135.90 (\$400 average monthly wage) and eventually to \$168 (\$550 average monthly wage).

Increases minimum benefit to \$44 per month. Family maximum benefits will range from \$66 to a maximum of \$368. Although not specifically stated in the bill, the formula used to determine the maximum family benefit shown in col. V of the new benefit table is the larger of (a) 1½ times the primary insurance amount or (b) approximately 80 percent of the average monthly wage up to the point at which the average monthly wage is ⅔ of the maximum possible average monthly wage, plus 40 percent of the remainder. The maximum benefits payable to a family would be related to the worker's average monthly wage at every average monthly wage bracket in the benefit table. The maximum payable to a family now on the benefit rolls would be \$309.20 (based on an average monthly wage of \$400). At the maximum average monthly wage level, \$550 (under the \$6,600 base), the maximum family benefit would be about ⅔ of the average monthly wage.

Effective for monthly benefits beginning with January 1965; effective for lump-sum death payment where death occurs in or after month of enactment.

No change.

*Illustrative benefits provided under present law and in 1966 under bill*

**I. Illustrative monthly benefits;**

Average monthly wage <sup>1</sup>	Old-age benefits <sup>2</sup>				Survivors benefits				
	Worker		Man and wife <sup>3</sup>		Widow aged 62, widower, or parent		Widow aged 60 <sup>4</sup>	Widow and 2 children <sup>5</sup>	
	Present law	Bill	Present law	Bill	Present law	Bill	Bill	Present law	Bill
\$67 or less -----	\$40.00	\$44.00	\$60.00	\$66.00	\$40.00	\$44.00	\$38.20	\$60.00	\$66.00
\$100 -----	59.00	63.20	88.50	94.80	48.70	52.20	45.30	88.50	94.80
\$150 -----	73.00	78.20	109.50	117.30	60.30	64.60	56.00	120.00	120.00
\$200 -----	84.00	89.90	126.00	134.90	69.30	74.20	64.40	161.70	161.70
\$250 -----	95.00	101.70	142.50	152.60	78.40	83.90	72.80	202.50	202.50
\$300 -----	105.00	112.40	157.50	168.60	86.70	92.80	80.50	236.40	240.00
\$350 -----	116.00	124.20	174.00	186.30	95.70	102.50	88.90	254.10	279.60
\$400 -----	127.00	135.90	190.50	203.90	104.80	112.20	97.30	254.10	306.00
\$466 -----	( <sup>6</sup> )	150.00	( <sup>6</sup> )	225.00	( <sup>6</sup> )	123.80	107.30	( <sup>6</sup> )	335.40
\$500 -----	( <sup>6</sup> )	157.00	( <sup>6</sup> )	235.50	( <sup>6</sup> )	129.60	112.40	( <sup>6</sup> )	348.60
\$550 -----	( <sup>6</sup> )	168.00	( <sup>6</sup> )	252.00	( <sup>6</sup> )	138.60	120.20	( <sup>6</sup> )	368.00

<sup>1</sup> As defined in the law.

<sup>2</sup> Worker aged 65 or over at time of retirement, and wife age 65 or over at the time when she comes on the rolls.

<sup>3</sup> Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as for a man and wife.

<sup>4</sup> Not applicable under present law.

<sup>5</sup> Survivor benefit amounts for 3 children would be the same as for a widow and 2 children

<sup>6</sup> Not applicable since maximum average monthly wage possible is \$400.

V. FULLY INSURED STATUS

Item	Present law	H.R. 6675																																								
	<p>To be fully insured an individual must have either—</p> <p>(1) 40 quarters of coverage; or</p> <p>(2) 1 quarter of coverage (acquired at any time after 1936) for every year elapsing after 1950 (or after the year in which he attained age 21, if that was later) and up to the year of disability, death, or attainment of age 65 for men (62 for women), but with a minimum of 6 quarters of coverage; or</p> <p>(3) 6 quarters of coverage if individual died before 1951.</p>	<p>No change in regular provision but adds a new concept of—</p> <p><i>Transitional insured status worker</i>—Adds a provision for a special insured status for individuals who have attained 72 so that the 6-quarter minimum is reduced to 3 quarters. The following chart shows the “transitional” requirement for workers as compared with the regular requirement of existing law:</p> <table border="1" data-bbox="1276 498 1841 743"> <thead> <tr> <th rowspan="2">Year of attainment of retirement age 62 (for women) or age 65 (for men)</th> <th colspan="2">Required quarters</th> </tr> <tr> <th>Existing law</th> <th>Proposed</th> </tr> </thead> <tbody> <tr> <td>1954 and earlier.....</td> <td>6</td> <td>3</td> </tr> <tr> <td>1955.....</td> <td>6</td> <td>4</td> </tr> <tr> <td>1956.....</td> <td>6</td> <td>5</td> </tr> <tr> <td>1957.....</td> <td>6</td> <td>6</td> </tr> </tbody> </table> <p>A worker who meets the above requirements (including attainment of 72) will be paid a benefit of \$35 a month, and his wife a benefit of \$17.50 at age 72 if she has attained age 72 before 1969.</p> <p>Widow's benefits would be payable at age 72 to a woman who reached age 72 before 1969 if her husband was living when the transitional provision became effective and if he met the work requirements of the provision. A widow who reached age 72 before 1969 but whose husband died before the transitional provision became effective could qualify if her husband had attained age 65 or died before 1957 and if he had a specified number of quarters of coverage as shown in the following table:</p> <table border="1" data-bbox="1255 1067 1841 1303"> <thead> <tr> <th rowspan="2">Year of husband's death (or attainment of age 65, if earlier)</th> <th rowspan="2">Quarters of coverage required under present law</th> <th colspan="3">Quarters of coverage required if the widow attains age 72—</th> </tr> <tr> <th>In 1966 or before</th> <th>In 1967</th> <th>In 1968</th> </tr> </thead> <tbody> <tr> <td>1954 or before...</td> <td>6</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>1955.....</td> <td>6</td> <td>4</td> <td>4</td> <td>5</td> </tr> <tr> <td>1956.....</td> <td>6</td> <td>5</td> <td>5</td> <td>5</td> </tr> </tbody> </table> <p>Upon attaining age 72, an eligible widow will be paid a monthly benefit of \$35.</p> <p>Effective for monthly benefits for and after the 2d month following the month of enactment.</p>	Year of attainment of retirement age 62 (for women) or age 65 (for men)	Required quarters		Existing law	Proposed	1954 and earlier.....	6	3	1955.....	6	4	1956.....	6	5	1957.....	6	6	Year of husband's death (or attainment of age 65, if earlier)	Quarters of coverage required under present law	Quarters of coverage required if the widow attains age 72—			In 1966 or before	In 1967	In 1968	1954 or before...	6	3	4	5	1955.....	6	4	4	5	1956.....	6	5	5	5
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Year of husband's death (or attainment of age 65, if earlier)	Quarters of coverage required under present law	Quarters of coverage required if the widow attains age 72—																																								
		In 1966 or before	In 1967	In 1968																																						
1954 or before...	6	3	4	5																																						
1955.....	6	4	4	5																																						
1956.....	6	5	5	5																																						

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**VI. RETIREMENT TEST**

Item	Present law	H.R. 6675
A. Scope-----	Applies to covered as well as noncovered work.	Excludes royalties received at or after age 65 on works copyrighted or patented before age 65. Effective for taxable years beginning after 1964.
B. Test of earnings-----	Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent 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. Benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$100 nor rendered substantial services in a trade or business.	Increases the annual exempt amount from \$1,200 to \$1,800. Permits payment of full benefits to beneficiary, regardless of the amount of his annual earnings, for any month in which he does not earn wages of more than \$150, instead of more than \$100. Increases the uppermost limit of the \$1-for-\$2 "band" from \$1,700 to \$3,000, so that \$1 in benefits would be withheld for each \$2 of earnings between \$1,800 and \$3,000, with \$1-for-\$1 reductions above \$3,000. Effective for taxable years ending after 1965.
C. Age exemption-----	Benefits are not suspended because of work or earnings if beneficiary is age 72 or over.	No change.

**VII. FINANCING**

A. Allocation between trust funds-----	<p>The Federal Old-Age and Survivors Insurance Trust Fund receives all tax contributions other than those allocated for the disability benefit program, from which benefits and administrative expenses are paid for the old-age and survivors insurance program.</p> <p>The Federal Disability Insurance Trust Fund receives an amount equal to ½ of 1 percent of taxable wages plus ⅓ of 1 percent of self-employment income, from which benefit and administrative expenses are paid for the disability insurance program.</p> <p>These funds are administered by a Board of Trustees consisting of the Secretary of the Treasury, as managing trustee, the Secretary of Labor and the Secretary of Health, Education, and Welfare, all ex officio (with the Commissioner of Social Security as Secretary).</p>	Increases the allocation to the Disability Insurance Trust Fund, for years beginning after 1965, to 0.70 of 1-percent of taxable wages and 0.525 of 1-percent of taxable self-employment income.										
B. Maximum taxable amount-----	\$4,800 a year.	\$6,600 a year starting with 1966.										
C. Tax rate for self-employed-----	<p>Taxable years beginning in—</p> <table border="0"> <tr> <td>1966-67-----</td> <td align="right">6.2</td> </tr> <tr> <td>1968 and thereafter-----</td> <td align="right">6.9</td> </tr> </table>	1966-67-----	6.2	1968 and thereafter-----	6.9	<p>Taxable years beginning in—</p> <table border="0"> <tr> <td>1966-68-----</td> <td align="right">5.8</td> </tr> <tr> <td>1969-72-----</td> <td align="right">6.7</td> </tr> <tr> <td>1973 and thereafter-----</td> <td align="right">7.0</td> </tr> </table>	1966-68-----	5.8	1969-72-----	6.7	1973 and thereafter-----	7.0
1966-67-----	6.2											
1968 and thereafter-----	6.9											
1966-68-----	5.8											
1969-72-----	6.7											
1973 and thereafter-----	7.0											
D. OASDI tax rate for employees and employers (each).	<p>Calendar years:</p> <table border="0"> <tr> <td>1966-67-----</td> <td align="right">4.125</td> </tr> <tr> <td>1968 and thereafter-----</td> <td align="right">4.625</td> </tr> </table>	1966-67-----	4.125	1968 and thereafter-----	4.625	<p>Calendar years:</p> <table border="0"> <tr> <td>1966-68-----</td> <td align="right">3.85</td> </tr> <tr> <td>1969-72-----</td> <td align="right">4.45</td> </tr> <tr> <td>1973 and thereafter-----</td> <td align="right">4.9</td> </tr> </table>	1966-68-----	3.85	1969-72-----	4.45	1973 and thereafter-----	4.9
1966-67-----	4.125											
1968 and thereafter-----	4.625											
1966-68-----	3.85											
1969-72-----	4.45											
1973 and thereafter-----	4.9											
E. Reimbursement of the trust funds for the cost of noncontributory military service credits.	Amounts to cover the costs incurred through June 30, 1956, were to have been appropriated to the trust funds from general revenue over the 10 fiscal years ending June 30, 1969; costs incurred after June 30, 1956, were to have been appropriated to the trust funds annually.	The trust funds would be reimbursed by a level annual appropriation starting with fiscal year 1966 that would amortize both the accumulated backlog and the additional amounts that will accrue through fiscal year 2015, and by annual appropriations thereafter.										

F. Railroad retirement tax.....	The Railroad Retirement Tax Act provides that the railroad tax will automatically adjust in the same amount, and at the same time, to any change in the OASDI tax rate after 1954.	No change, except for simplifying amendment.
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**VIII. MISCELLANEOUS**

A. Advisory Council on Social Security....	Councils are to be appointed in 1966 and every 5th year thereafter to review the financing of the program and submit reports to the Board of Trustees for inclusion in the annual Trustees' report to the Congress. Members are to represent employees and employers in equal numbers and the self-employed and the general public and can be paid up to \$50 per day.	Councils would be appointed in 1968 and every 5th year thereafter to review all aspects of the program (including the new hospital and supplementary medical insurance programs) and submit reports to the Secretary of Health, Education, and Welfare for transmittal to the Congress and the Board of Trustees. Members are to represent <i>organizations</i> of employees and employers in equal numbers and the self-employed and the general public and could be paid up to \$100 a day.
B. Board of Trustees.....	The Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are required to meet at least once every 6 months.	The Board of Trustees would be required to meet at least once every calendar year.
C. Affiliated corporations.....	When a person works for more than 1 corporation in an affiliated group of corporations, each such corporation is considered a separate employer for purposes of determining the maximum amount of wages subject to employer taxes.	When a person works for more than 1 corporation in an affiliated group of corporations, the affiliated group would be considered as a single employer for purposes of determining the maximum amount of wages subject to employer taxes.
D. Paying two or more members of same family.	Secretary of Health, Education, and Welfare may authorize a joint payment equal to the total benefits due to any two or more members of the same family.	Adds a provision that Secretary of the Treasury may authorize the surviving payee or payees of a joint benefit check to cash any such check which was not negotiated before one of the payees died, provided that any part that is an overpayment of benefits is recovered or adjusted.
E. Overpayments and underpayments.....	Whenever an error is made in paying benefits, future benefits of the beneficiary are increased or decreased until proper adjustments have been made. If the beneficiary dies before adjustment is completed, subsequent benefits based on same wages and self-employment income are increased or decreased until proper adjustment has been made.  Adjustment or recovery of an overpayment is waived if the overpaid person is without fault and adjustment or recovery would defeat the purpose of the program or would be against equity and good conscience.	Permits the Secretary to adjust any overpayment by decreasing the benefits of all other persons entitled on the basis of the same wages and self-employment income during the lifetime as well as after the death of the overpaid individual. Permits the Secretary to establish an order of priority for making any payment of benefits due a deceased beneficiary.
F. Attorneys' fees.....	The Secretary may prescribe the maximum fees which an attorney or other person may charge for services performed in connection with any claim before the Secretary. Any person who charges or collects more than the permitted fee is subject to a fine of up to \$500, imprisonment up to one year, or both.	Permits the Secretary to waive recovery or adjustment of an overpayment from any person who is without fault in the overpayment, even if he is not the overpaid person and the overpaid person is at fault. Adds a provision to permit a court which renders a decision favorable to a claimant for social security benefits to set a reasonable fee for the attorney who represented the claimant before the court. The fee cannot exceed 25 percent of the past-due benefits which result from the court's decision. The Secretary may certify for payment to the attorney, out of the total of the past-due benefits, the amount of the fee set by the court. Any attorney charging or receiving more than the fee set by the court is subject to a fine of up to \$500, imprisonment up to one year, or both.



**COMMITTEE ON FINANCE  
UNITED STATES SENATE**  
Harry Flood Byrd, *Chairman*

**THE SOCIAL SECURITY AMENDMENTS OF  
1965—PUBLIC LAW 97, 89th CONGRESS  
BRIEF SUMMARY OF MAJOR PROVISIONS  
AND DETAILED COMPARISON  
WITH PRIOR LAW**

**PRINTED FOR THE USE OF THE COMMITTEE ON FINANCE**

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## BRIEF SUMMARY OF THE SOCIAL SECURITY AMENDMENTS OF 1965

### A. HEALTH INSURANCE AND MEDICAL CARE

The legislation provides three programs for health insurance and medical care for the aged under the Social Security Act by establishing—

1. A *basic hospital insurance plan* providing inpatient services, related posthospital care (skilled nursing home and home health visits), and outpatient diagnostic services for individuals 65 or older who are eligible for social security or railroad retirement benefits. These benefits are financed through a separate payroll tax and separate trust fund, except that the benefits for railroad retirement eligibles will be financed through their payroll tax system, if certain financing conditions are met.

Also, benefits are provided to currently aged people who are not social security or railroad retirement beneficiaries. They are financed from general revenues.

*Effective date.*—Benefits are first effective on July 1, 1966, except for skilled nursing services in extended care facilities which are effective on January 1, 1967. (See pp. 17–20.)

2. A *voluntary supplementary medical insurance plan* providing physicians' and other medical and health services financed through monthly premiums of \$3 initially by individuals 65 years or older matched equally by Federal general revenue contributions.

*Effective date.*—Benefits are first effective July 1, 1966. (See pp. 20–22.)

3. An *expanded Kerr-Mills medical care program* for the needy and medically needy combining all the vendor medical provisions for the aged, blind, disabled, and families with dependent children, now in five titles of the Social Security Act, under a uniform program (with an increase in the Federal share matching formula) in a single new title with certain prescribed Federal standards.

*Effective date.*—Matching under new title (XIX) will be available January 1, 1966. (See pp. 22–30.)

### B. CHILD HEALTH AND WELFARE AMENDMENTS

#### 1. *Maternal and child health, crippled children, and child welfare authorization*

The amount authorized for the maternal and child health and crippled children's programs over current authorizations will be increased by \$5 million for each program for fiscal 1966 and by \$10 million in each succeeding fiscal year as follows:

Fiscal year	Prior law	Under new law
1966 .....	\$40,000,000	\$45,000,000
1967 .....	40,000,000	50,000,000
1968 .....	45,000,000	55,000,000
1969 .....	45,000,000	55,000,000
1970 and after .....	50,000,000	60,000,000

(See pp. 40–41.)

The somewhat different authorizations for child welfare services under prior law are revised to bring them in line with those for the other two programs, so that authorizations for all three programs are identical.

*2. Training personnel for the health care of crippled children*

Grants are provided to institutions of higher learning for training professional personnel for health and related care for crippled children, particularly children who are mentally retarded or have multiple handicaps. Authorizes \$5 million for fiscal 1967, \$10 million for fiscal 1968, and \$17.5 million for each succeeding fiscal year. (See p. 41.)

*3. Health care for needy children*

The Secretary of Health, Education, and Welfare is authorized to carry out a 5-year program of special project grants to provide comprehensive health care and services for preschool or school-age children, particularly in areas with concentrations of low-income families. An appropriation of \$15 million is authorized for fiscal 1966; \$35 million for fiscal 1967, and an additional \$5 million for each succeeding year rising to \$50 million for fiscal 1970. An authorization of \$500,000 for fiscal 1966 and 1967 is made for grants to study the prevention, diagnosis, and treatment of emotionally disturbed children. (See p. 44-45.)

*4. Mental retardation planning*

Grants totaling \$2,750,000 for each of 2 fiscal years (1966 and 1967) are authorized for the purpose of assisting States to implement and follow up on planning for treatment of mental retardation authorized under section 1701 of the Social Security Act. (Sec p. 45.)

C. PUBLIC ASSISTANCE

*1. Increased assistance payments*

The Federal share of payments under all State public assistance programs is increased a little more than an average of \$2.50 a month for the needy aged, blind, and disabled and an average of about \$1.25 for needy children, effective January 1, 1966. This is brought about by revising the matching formula for the needy aged, blind, and disabled (and for the adult categories in combined program in title XVI) to provide a Federal share of \$31 out of the first \$37 (formerly \$29 out of the first \$35) with matching above this amount varying according to State per capita income up to a maximum of \$75 (formerly \$70) per month per individual on an average basis. The law revises matching formula for aid to families with dependent children so as to provide a Federal share of five-sixths of the first \$18 (formerly fourteen-seventeenths of the first \$17) with matching above this amount varying according to State per capita income up to a maximum of \$32 (formerly \$30). A provision is included so that States will not receive additional Federal funds except to the extent they pass them on to individual recipients. Effective January 1, 1966. (See pp. 32-34.)

*2. Tubercular and mental patients*

The exclusion from Federal matching in old-age assistance and medical assistance for the aged programs (and for combined program, title XVI) is removed as to aged individuals who are patients in institutions for tuberculosis or mental diseases or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. As a condition of Federal participation in such payments to, or for, mental patients it is required that certain agreements and arrangements assure that better care results from the additional Federal money. States will receive no more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs. Also restrictions as to Federal matching for needy blind and disabled who are tubercular or psychotic and are in general medical institutions are removed. Effective January 1, 1966. (See pp. 35-37.)

*3. Protective payments*

A provision is added for protective payments to third persons on behalf of old-age assistance recipients (and recipients on combined title XVI program),

recipients of aid to the blind, and recipients of aid to the permanently and totally disabled unable to manage their money because of physical or mental incapacity. Effective January 1, 1966. (See pp. 37.)

#### 4. *Aid to families with dependent children in school*

The optional provision in present law allowing States to continue making payments to dependent children up to age 21 if they are in regular attendance at a high school or vocational school is extended to include attendance at a school, college or university. (See p. 39.)

#### 5. *Income exemptions under public assistance*

The following income exemptions are provided:

(a) *Old-age assistance.*—The earnings exemption under the old-age assistance program (and aged in combined program) is increased so that a State may, at its option, exempt the first \$20 (formerly \$10) and one-half of the next \$60 (formerly \$40) of a recipient's monthly earnings. Effective October 1, 1965. (See p. 35.)

(b) *Aid to families with dependent children.*—At their option, States are allowed to disregard up to \$50 per month of earned income of any dependent child under the age of 18 but not more than \$150 of earnings may be exempted in the same home. Effective July 1, 1965. (See p. 35.)

(c) *Aid to the permanently and totally disabled.*—States, at their option, may exempt earnings of recipients of aid to the permanently and totally disabled. As in the case of the aged, the first \$20 per month of earnings and one-half of the next \$60 could be exempted. In addition, any additional income and resources could be exempted as part of an approved plan to achieve self-support during the time the recipient was undergoing vocational rehabilitation. Effective October 1, 1965. (See p. 35.)

(d) *Income exemption for all public assistance programs.*—States, at their option, may disregard not more than \$5 per month per recipient of any income in all five public assistance programs. Effective October 1, 1965. (See p. 35.)

(e) *Old-age and survivors insurance (retroactive increase).*—States at their option, may disregard so much of the OASDI benefit increase (including the children in school after age 18 modification) as is attributable to its retroactive effective date. (See p. 35.)

(f) *Economic Opportunity Act earning exemption.*—A grace period is provided for action by States that have not had regular legislative sessions, whose public assistance statutes now prevent them from disregarding earnings of recipients received under titles I and II of the Economic Opportunity Act. (See p. 35.)

(g) *Income exempt under another assistance program.*—A provision is added stipulating that any amount of income which is disregarded in determining eligibility for a person under one of the public assistance programs shall not be considered in determining the eligibility of another individual under any other public assistance program. (See p. 35.)

#### 6. *Definition of medical assistance for aged*

The definition of medical assistance for the aged is modified so as to allow Federal sharing as to old-age assistance recipients for the month they are admitted to or discharged from a medical institution. (See p. 37.)

#### 7. *Judicial review of State plan denials*

The law provides for judicial review of the denial of approval by the Secretary of Health, Education, and Welfare of State public assistance plans and of his action under such programs for noncompliance with conditions in the Federal law. (See pp. 38-39.)

#### 8. *Uniform matching*

The new law permits a State that has a medical assistance program under title XIX to claim Federal sharing in total expenditures for money payments under other titles, under the same formula used for determining the Federal share for medical assistance under title XIX. (See p. 34.)

## D. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

## 1. BENEFIT CHANGES

*(a) 7-percent across-the-board increase in old-age, survivors, and disability insurance benefits*

A 7-percent across-the-board benefit increase is provided, effective retroactively beginning with benefits for January 1965, for the 20 million social security beneficiaries on the rolls (with a guaranteed \$4 a month minimum increase for retired workers who are age 65 or over in the first month for which they are paid the increased benefit).

Monthly benefits for workers who retire at or after 65 are increased to a new minimum of \$44 (formerly \$40) and to a new maximum of \$135.90 (formerly \$127) on average earnings up to \$4,800. In the future, creditable earnings under the increase in the contribution and benefit base to \$6,600 a year would make possible a maximum benefit of \$168.

The maximum amount of benefits payable to a family on the basis of a single earnings record will be related to the worker's average monthly earnings at all earnings levels. Under prior law, there was a \$254 limit on family benefits which operated over a wide range of average monthly earnings. Under the legislation the highest family maximum would be \$368. (See p. 62.)

*(b) Payment of child's insurance benefits to children attending school or college after attainment of age 18 and up to age 22*

A provision is included which will continue to pay a child's insurance benefit until the child reaches age 22, provided the child is attending a public or an accredited school, including a vocational school or a college, as a full-time student after he reaches age 18. Children of deceased, retired, or disabled workers will be included. No mother's or wife's benefits will be payable if the only child in the mother's care is one who has attained age 18 but is getting benefits on the basis of school attendance.

This provision is effective retroactively to January 1, 1965. It is estimated that 295,000 children will be eligible for benefits for September 1965, when the school year begins. (See pp. 57-58.)

*(c) Benefits for widows at age 60*

An option to widows of receiving benefits beginning at age 60, is provided with the benefits payable to those who claim them before age 62 being actuarially reduced to take account of the longer period over which they will be paid. Full widow's benefits are payable at age 62.

This provision is effective beginning with monthly benefits payable for September 1965. It is estimated that 185,000 widows will claim benefits during the first year of operation. (See p. 57.)

*(d) Amendment of disability program*

*(i) Definition of disability.*—The requirement that a worker's disability must be expected to be of long continued and indefinite duration is eliminated and instead an insured worker will be eligible for disability benefits if he has been under a disability which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 calendar months. Benefits payable by reason of this change will be paid beginning with benefits for September 1965. An estimated 60,000 persons—disabled workers and their dependents—become immediately eligible for benefits as a result of this change. (See p. 55.)

*(ii) Disability benefits offset provision.*—The social security disability benefit for any month for which a worker is receiving a workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings covered by social security prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in national average earnings levels. The offset provision will be applicable with respect to benefits payable for months after December 1965 based on disabilities commencing after June 1, 1965. (See p. 56.)

(iii) *Blindness as a disabling factor.*—(a) Young workers who are blind and disabled: Establishes alternative insured status requirement for workers disabled before age 31 of one-half of the quarters elapsing after age 21 up to the point of disability (with a minimum of six quarters), or, in the case of individuals disabled before age 24, at least one-half of the quarters in the 3-year period ending with the onset of the disability. To qualify for this alternative the worker will have to meet the statutory definition of blindness for the disability “freeze.” Workers will, however, have to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.

(b) Older workers who are blind and disabled: Provides that those individuals age 55 or over who meet the statutory definition of blindness for the disability “freeze” could qualify for cash benefits on the basis of their inability to engage in their past occupation or occupations. However, their benefits will not be paid for any month in which they are actually engaging in any substantial gainful activity. (See p. 55.)

(iv) *Rehabilitation services.*—State vocational rehabilitation agencies will be reimbursed from the social security trust funds for the cost of rehabilitation services furnished to individuals who are entitled to disability insurance benefits or to a disabled child’s benefits. The total amount of the funds that could be made available from the trust funds for purposes of reimbursing State agencies for such services cannot, in any year, exceed 1 percent of the social security disability benefits paid in the previous year. (See p. 56.)

(v) *Entitlement to disability benefits after entitlement to benefits payable on account of age.*—A person who becomes entitled before age 65 to a benefit payable on account of old age could later, before he reaches age 65, become entitled to disability insurance benefits. (See p. 55.)

(vi) *Allocation of contribution income between OASI and DI trust funds.*—An additional 0.20 percent of taxable wages and 0.15 percent of taxable self-employment income is allocated to the disability insurance trust fund, bringing the total allocation to 0.70 percent and 0.525 percent, respectively, beginning in 1966.

(e) *Benefits to certain persons at age 72 or over*

Eligibility requirements are liberalized by providing a basic benefit of \$35 at age 72 or over to certain persons with as few as three quarters of coverage acquired at any time since the beginning of the program in 1937. To accomplish this, a new concept of “transitional insured status” is provided. Prior law required a minimum of six quarters of coverage.

Effective for monthly benefits for September 1965, at which time an estimated 355,000 people will be able to start receiving benefits. (See p. 64.)

(g) *Wife’s and widow’s benefits for divorced women*

Payments of wife’s or widow’s benefits are authorized to the divorced wife of a retired, deceased, or disabled worker if she had been married to the worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by a court to make) a substantial contribution to her support when he became entitled to benefits, became disabled, or died. The legislation also provides that a wife’s benefits will not terminate when the woman and her husband are divorced if the marriage has been in effect for 20 years. Provision is also made for the reestablishment of benefit rights for a divorced wife, a widow, a surviving divorced wife, or a surviving divorced mother who remarries and the subsequent marriage ends in divorce, annulment, or in the death of the husband.

Effective in September 1965. (See p. 59.)

(f) *Retirement test*

The amendments liberalize the retirement test so that a beneficiary under age 72 may have annual earnings of \$1,500 (instead of \$1,200 as in prior law) and still get full benefits for the year. If a beneficiary earnings exceed \$1,500 for a year, \$1 in benefits is withheld for each \$2 of annual earnings between \$1,500 and \$2,700 and for each \$1 of earnings thereafter (under prior law the \$1 for \$2 adjustment applied to annual earnings between \$1,200 and \$1,700).

A beneficiary will nevertheless get full benefits, regardless of his annual earnings, for any month in which he earns wages of \$125 or less (rather than \$100 as in prior law), and does not render substantial services in self-employment. These changes are effective for taxable years ending after 1965.

Also, certain royalties received in or after the year in which a person reaches age 65, from copyrights and patents obtained before age 65, are exempted from being counted as earnings for purposes of the retirement test, effective for taxable years beginning after 1964.

For 1966, an estimated 750,000 persons—workers and their dependents or survivors—either will get more benefits under the new law than they would have gotten under prior law, or will get some benefits where they would have gotten no benefits under prior law. (See p. 65).

*(h) Continuation of widow's and widower's insurance benefits after remarriage*

Under prior law, a widow's and widower's benefits based on a deceased worker's social security earnings record generally terminated when the survivor remarried. The new legislation provides that benefits would be payable to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit will be equal to 50 percent of the primary insurance amount of the deceased spouse rather than 82½ percent of that amount, which is payable to widows and widowers who are not remarried. (See p. 59.)

*(i) Adoption of child by retired worker*

The provisions relating to the payment of benefits to children who are adopted by old-age insurance beneficiaries are changed to require that, where the child is adopted after the worker becomes entitled to an old-age benefit, (1) the child must be living with the worker in the month when application for old-age benefits is filed or adoption proceedings have begun in or before that month; (2) the child must be receiving one-half of his support from the worker for the entire year before the worker's entitlement; and (3) the adoption must be completed within 2 years after the worker's application for benefits. (See p. 58.)

*(j) Definition of child*

(i) A child will be paid benefits based on his father's earnings without regard to whether he has the status of a child under State inheritance laws if the father was supporting the child or had a legal obligation to do so. Under prior law, whether a child met the definition for the purpose of getting child's insurance benefits based on his father's earnings depended on the laws applied in determining the devolution of intestate personal property in the State in which the worker was domiciled. It is estimated that 20,000 individuals (children and their mothers) became immediately eligible for benefits under this provision. (See p. 58.)

(ii) Also an exception is provided so that child's benefits will not terminate if child is adopted by his brother or sister after the death of the worker on whose earnings record he is getting benefits. Under prior law benefits terminated upon adoption unless he was adopted by his stepparent, grandparent, uncle, or aunt. (See p. 59.)

## 2. COVERAGE CHANGES

The following coverage provisions were included:

*(a) Physicians and interns*

Self-employed physicians are covered for taxable years ending on or after December 31, 1965. Interns are covered beginning on January 1, 1966, on the same basis as other employees working for the same employer. (See pp. 46 and 53.)

*(b) Farmers*

Under the new law, farm operators whose annual gross earnings are \$2,400 or less will be permitted to report either their actual net earnings or 66½ percent of their gross earnings, for taxable years beginning after December 31, 1965.

Farmers whose annual gross earnings are over \$2,400 will be required to report their actual net earnings if \$1,600 or more but if actual net earnings are less than \$1,600, they will be permitted to report either their actual net earnings or \$1,600. (See p. 46.)

(c) *Cash tips*

Cash tips received after 1965 by an employee in the course of his employment are covered as wages for social security and income-tax withholding purposes, except that employers are not required to pay the social security employer tax. The employee is required to give his employer a written report of his tips within 10 days after the end of the month in which the tips are received. To the extent that the employer does not have sufficient wage payments (or funds turned over to him by the employee) to offset the required withholding, he notifies the employee and the employee reports this amount to the Government directly. (See p. 48.)

(d) *State and local government employees*

Several changes would facilitate social security coverage of additional employees of State and local governments. (See pp. 49-51.)

(e) *Exemption of certain religious sects*

Members of certain religious sects who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of such sects could be exempt from the social security tax on self-employment income upon application accompanied by a waiver of benefit rights. (See p. 46.)

(f) *Nonprofit organizations*

Nonprofit organizations, and their employees who concur, may elect social security coverage effective retroactively for a period up to 5 years (rather than 1 year, as under prior law). Also, wage credit may be given for the earnings of certain employees of nonprofit organizations who were erroneously reported for social security purposes. (See pp. 51-52.)

(g) *District of Columbia employees*

The legislation provides for social security coverage of certain employees of the District of Columbia (primarily substitute schoolteachers). (See p. 52.)

(h) *Ministers*

The dead line for electing social security coverage by ministers who have been in the ministry at least 2 years since 1954 is extended 2 years. Also, social security credit may be obtained for the earnings of certain ministers, which were reported but which cannot be credited under prior law. (See p. 46.)

### 3. MISCELLANEOUS

(a) *Filing of proof*

The period of filing of proof of support for dependent husband's, widower's, and parent's benefits, and for filing application for lump-sum death payments where good cause exists for failure to file within the initial 2-year period, is extended indefinitely. (See p. 60.)

(b) *Automatic recomputation of benefits*

The benefits of people on the rolls will be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year and that would increase his benefit amount. Under prior law there are various requirements that must be met in order to have benefits recomputed, including filing of an application and earnings of over \$1,200 a year after entitlement. (See p. 61.)

(c) *Military wage credits*

The provision authorizing reimbursement of the trust funds out of general revenue for gratuitous social security wage credits for servicemen is revised so that such payments will be spread over the next 50 years. (See p. 65.)

*(d) Extension of life of applications*

The new law liberalizes the requirement that an application for monthly insurance benefits be valid for only 3 months after the date of filing, and for disability benefits 3 months before the beginning of the waiting period. The new law allows an application to remain valid up until the time the Secretary makes a final decision on the application. (See p. 56.)

*(e) Underpayments*

The new law provides specific authority, lacking in prior law, for the Secretary to settle certain underpayments of benefits. (See p. 66.)

*(f) Authorization for one spouse to cash a joint check*

The Secretary of the Treasury would be authorized, under a new provision, to issue regulations so as to permit a surviving spouse (or other surviving payee) to cash a benefit check issued jointly to a husband and wife if one of them dies before the check is negotiated; any overpayment resulting from the cashing of the joint check would be recovered. (See p. 66.)

*(g) Social security records—Deserting parents*

The new law provides that, under certain specified conditions, the address of a deserting parent of a child applying for or receiving public assistance may be given to a welfare agency or a court through a welfare agency. (See p. 66.)

*(h) Attorney's fees*

A provision is incorporated which permits a court that renders a judgment favorable to a claimant in an action arising under the social security program to set a reasonable fee (not in excess of 25 percent of past due benefits which become payable by reason of the judgment) for an attorney who successfully represented the claimant. The Secretary is permitted to certify payment of the fee to the attorney out of such past due benefits. (See p. 66.)

*(i) Waiver of 1-year marriage requirement*

The legislation provides an exception to the 1-year duration of marriage requirement for social security benefits for any widow, wife, husband, or widower who was, in the month before marriage, actually or potentially entitled to railroad retirement benefits as a widow, widower, parent, or disabled adult child. (See pp. 59-60.)

## E. SCOPE, COSTS AND FINANCING

### 1. HEALTH INSURANCE AND MEDICAL CARE FOR THE NEEDY

The *scope* of the protection provided is broadly as follows:

*Basic plan.*—It is estimated that approximately 17 million insured individuals and 2 million uninsured will qualify on July 1, 1966.

*Voluntary supplementary plan.*—It is estimated that of the total eligible aged of 19 million, from 80 to 95 percent will participate, which will mean approximately 15.2 to 18 million individuals will be involved.

*Medical assistance for needy.*—The expanded medical assistance (Kerr-Mills) program is estimated to provide new or increased medical assistance

to about 8 million needy persons during an early year of operation. States could, in the future, provide aid to as many as twice this number who need help with medical costs.

The costs and financing are as follows:

*Basic plan.*—Benefits and administrative expenses under the basic plan would be about \$1 billion for the 6-month period in 1966 and about \$2.3 billion in 1967. Contribution income for those years would be about \$1.6 and \$2.8 billion, respectively. The costs for the uninsured (paid from general funds) would be about \$280 million for the first full year.

The level-premium (long-range) cost of the hospital insurance program is 1.23 percent of payroll broken down as follows:

	<i>Percent</i>
Hospital and extended care facility benefits.....	1.19
Posthospital home health.....	.03
Outpatient diagnostic.....	.01
<b>Total.....</b>	<b>1.23</b>

Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, would be earmarked in a separate Hospital Insurance Trust Fund established in the Treasury. The same contribution rate would apply equally to employers, employees, and self-employed persons.

The tax rate, base, and tax amount for future years is shown in the following table:

TABLE 1.—Tax rate, tax base, and tax amount applicable to employers, employees, and self-employed persons under the basic hospital insurance program of the Social Security Amendments of 1965 (Public Law 89-97), 1965-87 and after

Year	Tax on employer, employee, and self-employed (each)		
	Tax rate (percent)	Tax base	Tax amount <sup>1</sup>
1965.....			
1966.....	0.35	\$6,600	\$23.10
1967.....	.50	6,600	33.00
1968.....	.50	6,600	33.00
1969-72.....	.50	6,600	33.00
1973-75.....	.55	6,600	36.30
1976-79.....	.60	6,600	39.60
1980-86.....	.70	6,600	46.20
1987 and after.....	.80	6,600	52.80

<sup>1</sup> For each self-employed person and employee with earnings or wage equal to or in excess of the tax base; employers pay same amount on behalf of such employees.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

The following table shows the estimated progress of the Hospital Insurance Trust Fund.

TABLE 2.—*Estimated progress of Hospital Insurance Trust Fund*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year <sup>1</sup>
1966.....	\$1, 637	\$987	<sup>2</sup> \$50	\$18	* \$618
1967.....	2, 756	2, 210	66	25	1, 123
1968.....	3, 018	2, 406	72	46	1, 709
1969.....	3, 123	2, 623	79	66	2, 196
1970.....	3, 229	2, 860	86	82	2, 561
1971.....	3, 329	3, 077	92	91	2, 812
1972.....	3, 433	3, 303	99	95	2, 938
1973.....	3, 891	3, 540	106	100	3, 283
1974.....	4, 096	3, 788	114	108	3, 585
1975.....	4, 260	4, 047	121	112	3, 789
1980.....	6, 113	5, 307	159	166	5, 790
1985.....	7, 026	6, 860	206	259	8, 341
1990.....	9, 015	8, 797	264	323	10, 426

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund, a higher rate is used in the 1st 10 years (4.0 percent for 1966-70, and then a gradually decreasing rate).

<sup>2</sup> Includes administrative expenses incurred in 1965.

<sup>3</sup> Balance as of June 30, 1965 (before payment of benefits begins), is \$715,000,000.

NOTE.—The transactions relating to the noninsured persons who would be covered for the benefits of this program, the cost for whom is borne out of the general funds of the Treasury, are not shown in the above figures.

The estimated cost to the general fund of the Treasury for the hospital and related benefits for the noninsured group is as follows for the first 5 calendar years of operation:

Calendar year:	[In millions]	Cost to General Treasury
1966 (last 6 months).....		\$140
1967.....		278
1968.....		272
1969.....		264
1970.....		256

The cost to the general fund of the Treasury decreases slowly for the closed group involved. Offsetting, in large part, the decline in the number of eligibles blanketed in is the increasing hospital utilization per capita as the average age of the group rises and the increasing hospitalization costs in future years.

*Voluntary supplementary plan.*—Costs of the voluntary supplementary plan would depend on how many of the aged enrolled.

If 80 percent of the eligible aged enrolled, benefit costs of the supplementary plan would be about \$895 to \$1,065 million in 1967. Premium income from enrollees for 1967 would be about \$560 million. The matching Government contribution would equal the premiums.

If 95 percent of the eligible aged enrolled, benefit costs of the supplementary plan would be about \$1,060 to \$1,260 million in 1967. Premium income from enrollees for 1967 would be about \$665 million. The Government contribution would equal the premiums.

The following table shows the estimated progress of the Medical Insurance Trust Fund:

TABLE 3.—*Estimated progress of Supplementary Medical Insurance Trust Fund*  
[In millions]

Calendar year	Contributions		Benefit payments	Adminis- trative expenses	Interest on fund	Balance in fund at end of year
	Partici- pants	Govern- ment				
Low-cost estimate, 80-percent participation						
1966 <sup>1</sup> .....	\$275	\$275	\$220	\$65	\$5	\$270
1967.....	560	560	895	75	15	435
Low-cost estimate, 95-percent participation						
1966 <sup>1</sup> .....	\$325	\$325	\$260	\$80	\$5	\$315
1967.....	665	665	1,060	90	15	510
High-cost estimate, 80-percent participation						
1966 <sup>1</sup> .....	\$275	\$275	\$345	\$85	\$5	\$125
1967.....	560	560	1,065	95	5	90
High-cost estimate, 95-percent participation						
1966 <sup>1</sup> .....	\$325	\$325	\$410	\$100	\$5	\$145
1967.....	665	665	1,260	110	5	110

<sup>1</sup> Administrative expenses shown include those incurred in 1965 and 1966.

NOTE.—Not included above is the advance appropriation from general revenues that is to provide a contingency reserve during 1966-67 (to be used only if needed and to be repayable).

*Kerr-Mills medical assistance plan extension.*—It is estimated that the new program will increase the Federal Government's general revenue contribution about \$240 million in a full year of operation over that in the programs currently operating.

## 2. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

The following table shows the costs in dollars in 1966, the percent of payroll costs over the long run, and the number of persons immediately affected under the law:

TABLE 4.—*Costs of and persons affected by OASDI amendments*

Provision	1st year costs	Percent of payroll (long- range)	Persons affected
7-percent benefit increase (\$4 minimum in primary benefit).....	\$1,470,000,000	0.64	20,000,000
Child's benefit to age 22 if in school.....	195,000,000	.12	295,000
Reduced age for widows.....	165,000,000	.00	185,000
Reduction in eligibility requirement for certain persons aged 72 or over.....	140,000,000	.01	355,000
Liberalization of disability definition.....	45,000,000	.01	67,000
Earnings test liberalization.....	295,000,000	.14	750,000
Broader definition of child.....	10,000,000	.01	20,000

The following tables show the effect of the legislation on the trust funds:

TABLE 5.—*Progress of Old-Age and Survivors Insurance Trust Fund*  
[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year <sup>3</sup>
Actual data						
1951-----	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952-----	3,819	2,194	88	-----	365	17,442
1953-----	3,945	3,006	88	-----	414	18,707
1954-----	5,163	3,670	92	-\$21	447	20,576
1955-----	5,713	4,968	119	-7	454	21,663
1956-----	6,172	5,715	132	-5	526	22,519
1957-----	6,825	7,347	* 162	-2	556	22,393
1958-----	7,566	8,327	* 194	124	552	21,864
1959-----	8,052	9,842	184	282	532	20,141
1960-----	10,866	10,677	203	318	516	20,324
1961-----	11,285	11,862	239	332	548	19,725
1962-----	12,059	13,356	256	361	526	18,337
1963-----	14,541	14,217	281	423	521	18,480
1964-----	15,689	14,914	296	403	569	19,125
Estimated data (short-range estimate)						
1965-----	\$16,014	\$16,986	\$351	\$436	\$570	\$17,936
1966-----	18,848	18,520	377	445	546	17,988
1967-----	20,687	19,512	363	524	580	18,856
1968-----	21,568	20,334	369	474	634	19,881
1969-----	24,958	21,213	377	487	733	23,495
1970-----	26,328	22,101	385	478	900	27,759
1971-----	27,163	23,001	393	455	1,082	32,155
1972-----	28,041	23,908	401	454	1,271	36,704
Estimated data (long-range estimate)						
1975-----	\$28,818	\$24,848	\$390	\$313	\$1,212	\$40,044
1980-----	31,105	28,828	431	130	1,895	59,891
1990-----	35,600	36,629	510	-23	2,689	82,433
2000-----	41,293	40,926	559	-77	3,287	101,233
2025-----	51,238	62,118	769	-107	4,476	132,792

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

<sup>3</sup> Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to \$377 for 1953, \$284 for 1954, \$163 for 1955, \$60 for 1956, and nothing for 1957 and thereafter.

<sup>4</sup> These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

TABLE 6.—Progress of Disability Insurance Trust Fund <sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange <sup>2</sup>	Interest on fund <sup>1</sup>	Balance in fund at end of year
Actual data						
1957.....	\$702	\$57	<sup>3</sup> \$3	-----	\$7	\$649
1958.....	966	249	<sup>3</sup> 12	-----	25	1,379
1959.....	891	457	50	-\$22	40	1,825
1960.....	1,010	568	36	-5	53	2,289
1961.....	1,038	887	64	5	66	2,437
1962.....	1,046	1,105	66	11	68	2,368
1963.....	1,099	1,210	68	20	66	2,235
1964.....	1,154	1,309	79	19	64	2,047
Estimated data (short-range estimate)						
1965.....	\$1,187	\$1,600	\$85	\$24	\$51	\$1,576
1966.....	1,821	1,734	102	25	49	1,585
1967.....	2,048	1,827	108	29	52	1,721
1968.....	2,132	1,898	112	21	58	1,880
1969.....	2,207	1,960	115	24	64	2,052
1970.....	2,282	2,013	119	26	70	2,246
1971.....	2,356	2,065	122	29	78	2,464
1972.....	2,433	2,113	125	32	87	2,714
Estimated data (long-range estimate)						
1975.....	\$2,247	\$2,022	\$103	-\$3	\$121	\$3,834
1980.....	2,425	2,211	106	-11	166	5,177
1990.....	2,776	2,472	107	-13	291	8,965
2000.....	3,220	2,907	120	-13	509	15,443
2025.....	3,996	3,970	156	-13	1,113	33,264

<sup>1</sup> An interest rate of 3.50 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

<sup>3</sup> These figures are artificially low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

The benefit provisions of the law are financed by (1) an increase in the earnings base from \$4,800 to \$6,600 effective January 1, 1966, and (2) a revised tax rate schedule.

The tax rate schedule under prior law and the revised schedule under the new legislation for the OASDI program is shown by the two tables which follow:

TABLE 7.—*Tax rate, tax base, and tax amount applicable to employers and employees (each) under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law, old-age, survivors, and disability insurance program, 1965-87 and after*

Year	Tax rate employer and employee (each)		Tax base		Tax per employee with base wage under Public Law 89-97 <sup>1</sup>			
	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Amount of tax		Increase under Public Law 89-97	
					Under prior law	Under Public Law 89-97	Over prior law	Over 1965
	<i>Percent</i>	<i>Percent</i>						
1965-----	3. 625	3. 625	\$4, 800	\$4, 800	\$174	\$174. 00		
1966-----	4. 125	3. 850	4, 800	6, 600	198	254. 10	\$56. 10	\$80. 10
1967-----	4. 125	3. 900	4, 800	6, 600	198	257. 40	59. 40	83. 40
1968-----	4. 625	3. 900	4, 800	6, 600	222	257. 40	35. 40	83. 40
1969-72-----	4. 625	4. 400	4, 800	6, 600	222	290. 40	68. 40	116. 40
1973-75-----	4. 625	4. 850	4, 800	6, 600	222	320. 10	98. 10	146. 10
1976-79-----	4. 625	4. 850	4, 800	6, 600	222	320. 10	98. 10	146. 10
1980-86-----	4. 625	4. 850	4, 800	6, 600	222	320. 10	98. 10	146. 10
1987 and after-----	4. 625	4. 850	4, 800	6, 600	222	320. 10	98. 10	146. 10

<sup>1</sup> Employers pay same amount on behalf of such employees.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 8.—*Tax rate, tax base, and tax amount applicable to self-employed persons under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law, old-age, survivors, and disability insurance program, 1965-87 and after*

Year	Tax rate		Tax base		Tax per self-employed with base earnings under Public Law 89-97			
	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Amount of tax		Increase under Public Law 89-97	
					Under prior law	Under Public Law 89-97	Over prior law	Over 1965
	<i>Percent</i>	<i>Percent</i>						
1965-----	5. 4	5. 4	\$4, 800	\$4, 800	\$259. 20	\$259. 20		
1966-----	6. 2	5. 8	4, 800	6, 600	297. 60	382. 80	\$85. 20	\$123. 60
1967-----	6. 2	5. 9	4, 800	6, 600	297. 60	389. 40	91. 80	130. 20
1968-----	6. 9	5. 9	4, 800	6, 600	331. 20	389. 40	58. 20	130. 20
1969-72-----	6. 9	6. 6	4, 800	6, 600	331. 20	435. 60	104. 40	176. 40
1973-75-----	6. 9	7. 0	4, 800	6, 600	331. 20	462. 00	130. 80	202. 80
1976-79-----	6. 9	7. 0	4, 800	6, 600	331. 20	462. 00	130. 80	202. 80
1980-86-----	6. 9	7. 0	4, 800	6, 600	331. 20	462. 00	130. 80	202. 80
1987 and after-----	6. 9	7. 0	4, 800	6, 600	331. 20	462. 00	130. 80	202. 80

Source: Staff of the Joint Committee on Internal Revenue Taxation.

3. HOSPITAL INSURANCE AND OLD-AGE, DISABILITY, AND SURVIVORS  
INSURANCE (COMBINED)

The following three tables show the aggregate taxes, the combined tax rates, and combined tax on employer and employee under the two programs:

TABLE 9.—*Estimated aggregate taxes on employers, employees, and self-employed persons under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law, old-age, survivors, and disability insurance program, 1965-72, 1975, 1980, 1985, 1990, 2000, and 2025, and basic hospital insurance program, 1965-75, 1980, 1985, and 1990*

[In billions]

Year	Prior law			Public Law 89-97			
	Old-age and survivors insurance program	Disability insurance program	Total	Old-age and survivors insurance program	Disability insurance program	Basic hospital insurance program	Total
1965-----	\$16.0	\$1.2	\$17.2	\$16.0	\$1.2	-----	\$17.2
1966-----	18.5	1.2	19.7	18.8	1.8	\$1.6	22.2
1967-----	19.4	1.3	20.7	20.7	2.0	2.8	25.5
1968-----	22.2	1.3	23.5	21.6	2.1	3.0	26.7
1969-----	23.3	1.3	24.6	25.0	2.2	3.1	30.3
1970-----	24.0	1.4	25.4	26.3	2.3	3.2	31.8
1971-----	24.6	1.4	26.0	27.2	2.4	3.3	32.9
1972-----	25.2	1.4	26.6	28.0	2.4	3.4	33.8
1973-----	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	3.9	( <sup>1</sup> )
1974-----	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	4.1	( <sup>1</sup> )
1975-----	<sup>2</sup> 24.6	<sup>2</sup> 1.4	<sup>2</sup> 26.0	<sup>2</sup> 28.8	<sup>2</sup> 2.2	4.3	( <sup>3</sup> )
1980-----	<sup>2</sup> 26.5	<sup>2</sup> 1.5	<sup>2</sup> 28.0	<sup>2</sup> 31.1	<sup>2</sup> 2.4	6.1	( <sup>3</sup> )
1985-----	<sup>2</sup> 28.3	<sup>2</sup> 1.6	<sup>2</sup> 29.9	<sup>2</sup> 33.2	<sup>2</sup> 2.6	7.0	( <sup>3</sup> )
1990-----	<sup>2</sup> 30.3	<sup>2</sup> 1.7	<sup>2</sup> 32.0	<sup>2</sup> 35.6	<sup>2</sup> 2.8	9.0	( <sup>3</sup> )
2000-----	<sup>2</sup> 35.2	<sup>2</sup> 2.0	<sup>2</sup> 37.2	<sup>2</sup> 41.3	<sup>2</sup> 3.2	( <sup>1</sup> )	( <sup>1</sup> )
2025-----	<sup>2</sup> 43.7	<sup>2</sup> 2.5	<sup>2</sup> 46.2	<sup>2</sup> 51.2	<sup>2</sup> 4.0	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup> Not available.

<sup>2</sup> These are long-range estimates which assume level-earnings trends in the future; all other estimates are short-range estimates which assume increased earnings from year to year.

<sup>3</sup> Since the constituents of these totals represent long-range and short-range estimates they are not combined here.

Source: Compiled by the Staff of the Joint Committee on Internal Revenue Taxation from data supplied by Social Security Administration.

TABLE 10.—*Combined tax rate on employer and employee under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law, old-age, survivors, and disability insurance program and basic hospital insurance program, 1965-87 and after*

[In percent]

Year	Combined tax rate on employer and employee							
	Old-age, survivors, and disability insurance program		Basic hospital insurance program		Old-age, survivors, and disability insurance program and basic hospital insurance program			
	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Change under Public Law 89-97	
							Over prior law	Over 1965
1965.....	7.25	7.25	-----	-----	7.25	7.25	-----	-----
1966.....	8.25	7.70	-----	0.70	8.25	8.40	+0.15	+1.15
1967.....	8.25	7.80	-----	1.00	8.25	8.80	+ .55	+1.55
1968.....	9.25	7.80	-----	1.00	9.25	8.80	- .45	+1.55
1969-72.....	9.25	8.80	-----	1.00	9.25	9.80	+ .55	+2.55
1973-75.....	9.25	9.70	-----	1.10	9.25	10.80	+1.55	+3.55
1976-79.....	9.25	9.70	-----	1.20	9.25	10.90	+1.65	+3.65
1980-86.....	9.25	9.70	-----	1.40	9.25	11.10	+1.85	+3.85
1987 and after..	9.25	9.70	-----	1.60	9.25	11.30	+2.05	+4.05

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 11.—*Combined tax on employer and employee<sup>1</sup> under the Social Security Amendments of 1965 (Public Law 89-97) and under prior law, old-age, survivors, and disability insurance program and basic hospital insurance program, 1965-87 and after*

Year	Combined tax on employer and employee							
	Old-age, survivors, and disability insurance program		Basic hospital insurance program		Old-age, survivors, and disability insurance program and basic hospital insurance program			
	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Under prior law	Under Public Law 89-97	Increase under Public Law 89-97	
							Over prior law	Over 1965
1965.....	\$348	\$348.00	-----	-----	\$348	\$348.00	-----	-----
1966.....	396	508.20	-----	\$46.20	396	554.40	\$158.40	\$206.40
1967.....	396	514.80	-----	66.00	396	580.80	184.80	232.80
1968.....	444	514.80	-----	66.00	444	580.80	136.80	232.80
1969-72.....	444	580.80	-----	66.00	444	646.80	202.80	298.80
1973-75.....	444	640.20	-----	72.60	444	712.80	268.80	364.80
1976-79.....	444	640.20	-----	79.20	444	719.40	275.40	371.40
1980-86.....	444	640.20	-----	92.40	444	732.60	288.60	384.60
1987 and after.....	444	640.20	-----	105.60	444	745.80	301.80	397.80

<sup>1</sup> For employee with wage equal to or in excess of the tax base under Public Law 89-97.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

## 4. PUBLIC ASSISTANCE, CHILD HEALTH AND CHILD WELFARE

The following table shows the cost of various provisions of the legislation:

TABLE 12.—*Cost of public assistance and child health and welfare amendment*

[In millions of dollars]

Costs	Fiscal year 1966	Annual rate
Maternal and child health, crippled children, child welfare, and special project grants, studies.....	30.5	75.0
Mental retardation projects.....	2.75	2.75
Mental and tuberculosis.....	38.0	75.0
Medical assistance for the aged definition.....	2.0	2.0
Formula changes.....	75.0	150.0
Protective payments.....	( <sup>1</sup> )	( <sup>1</sup> )
Income exemption (old-age assistance).....	.5	1.0
Income exemption (aid to families with dependent children).....	1.3	4.0
Income exemption (aid to the permanently and totally disabled).....	1.0	2.5
Total.....	151.05	312.25

<sup>1</sup> No cost.

## HEALTH INSURANCE AND MEDICAL CARE FOR THE AGED

## A. BASIC PLAN—HOSPITAL INSURANCE

1. *General description.*—Benefits, financed through a separate payroll tax, will provide for some of the costs of inpatient hospital services, posthospital extended care services, posthospital home health services, and outpatient hospital diagnostic services for social security and railroad retirement beneficiaries when they attain age 65. Benefits for railroad retirement eligibles will be financed by the railroad retirement tax if certain conditions are met. The same hospital insurance protection, financed from general revenues, will be provided under a special transitional provision for essentially all people who are now aged 65, or who will reach 65 in the near future, but who are not eligible for social security or railroad retirement benefits.

2. *Effective date.*—Benefits will first be effective on July 1, 1966, except for services in extended care facilities which would be effective on January 1, 1967.

3. *Eligibility.*—Hospital insurance is provided (on the basis of a new section in title II of the Social Security Act) for people aged 65 and over who are entitled to monthly social security benefits or to annuities under the Railroad Retirement Act. In addition, people who are now aged 65 or will reach age 65 within the next few years and who are not insured under the social security or railroad program will nevertheless be covered under the hospital insurance plan. In July 1966, when the program becomes effective, about 17 million people aged 65 and over who are eligible for social security or railroad retirement benefits, and about 2 million aged who will be covered under a special transitional provision, will have the new hospital insurance.

Included under the special provision will be almost all uninsured people who will have reached 65 before 1968. Persons reaching 65 after 1967 will have to have the quarters of coverage that are indicated in the following table:

TABLE 13.—*Quarters of coverage required for OASI cash benefits as compared to hospital insurance*

Year attains age 65	Men		Women	
	OASI	Hospital insurance	OASI	Hospital insurance
1967 or before.....	6-16	0	6-13	0
1968.....	17	6	14	6
1969.....	18	9	15	9
1970.....	19	12	16	12
1971.....	20	15	17	15
1972.....	21	18	18	(1)
1973.....	22	21	-----	-----
1974.....	23	(1)	-----	-----

<sup>1</sup> Same as OASI.

As indicated in the table, by 1974 the quarters of coverage required for cash benefits and hospital insurance benefits will be the same and the "transitional" provision will phase out.

The major group excluded under the transitional provision will be individuals afforded protection under the provisions of the Federal Employees' Health Benefits Act (FEHBA). Federal employees who retired before February 16, 1965, and who did not have coverage under FEHBA on that date will be covered under the transitional provision for the uninsured. Also included will be those Federal employees retiring after that date who cannot retain their FEHBA coverage after retiring. Excluded are aliens (unless they have been admitted for permanent residence and have been residents of the United States for 5 years) and certain people convicted of subversive crimes.

4. *Benefits.*—The services for which payment will be made under the basic plan include—

(a) inpatient hospital services for up to 90 days in each spell of illness. The patient pays a deductible amount of \$40 for the first 60 days plus \$10 a day for 30 days in excess of 60 for each spell of illness; hospital services include all those ordinarily furnished by a hospital to its inpatients; however, payment will not be made for private duty nursing or for the hospital services of physicians *except* services provided by medical or dental interns or residents in training under approved teaching programs. Inpatient psychiatric hospital service will also be included, but a lifetime limitation of 190 days is imposed.

(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) after the patient is transferred from a hospital (after at least a 3-day stay) for up to 100 days in each spell of illness, but after the first 20 days of care patients will pay \$5 a day for the remaining days of extended care in a spell of illness;

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

(d) posthospital home health services for up to 100 visits, after discharge from a hospital (after at least a 3-day stay) or extended care facility and before the beginning of a new spell of illness. Such a person must be in the care of a physician and under a plan estab-

lished by a physician within 14 days of discharge calling for such services. The covered services include intermittent nursing care, therapy, and, to the extent provided in regulations, the part-time services of a home health aide. For the services to be covered, the patient must be homebound, except that when certain equipment is used, the individual may be taken to a hospital or extended care facility or rehabilitation center to receive some of these covered home health services in order to utilize the necessary equipment. All those services are covered only if they are provided through a qualified home health agency.

Special provision is made for Christian Scientists who will have coverage of Christian Science sanatorium services for up to 60 days with \$40 deductible plus 30 additional days at \$10 coinsurance per day, as hospital service; plus an additional 30 days in a Christian Science sanatorium as extended care facility services with the \$5 per day coinsurance feature.

No service will be 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 will be considered to begin when the individual enters a hospital or extended care facility 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 such increase will occur before 1969. The coinsurance amounts for long-stay hospital and extended care facility benefits will be correspondingly adjusted.

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.

5. *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.

6. *Administration.*—Basic responsibility for administration rests with the Secretary of Health, Education, and Welfare; however, a part of the administration for individuals under the railroad retirement system is vested in the Railroad Retirement Board if certain financing conditions are met, as explained under the next heading. The Secretary will use appropriate State agencies and private organizations (nominated by the providers of services) to assist in the administration of the program. Provision is made for the establishment of an Advisory Council which will advise the Secretary on policy matters in connection with administration.

7. *Financing.*—Separate payroll taxes to finance the basic plan, paid by employers, employees, and self-employed persons, will be earmarked in a separate hospital insurance trust fund established in the Treasury. The amount of earnings (earnings base) subject to the new payroll taxes will be the same as for purposes of financing social security cash benefits. The same contribution rate will apply equally to employers, employees, and self-employed persons and will be as follows:

	<i>Percent</i>
1966.....	0.35
1967-72.....	.50
1973-75.....	.55
1976-79.....	.60
1980-86.....	.70
1987 and after.....	.80

The taxable earnings base for the hospital insurance tax will be \$6,600 a year beginning in 1966.

For years in which the annual earnings and tax bases of the social security and railroad retirement programs are equal, hospital insurance taxes will be levied under the Railroad Retirement Tax Act and transferred from the Railroad Retirement Account to the Hospital Insurance Trust Fund, with benefit payments made from that fund. Should there be any years in which

the tax bases of the two programs are not equal, hospital insurance taxes for such years will be levied on railroad employment under the Federal Insurance Contributions Act (which applies to earnings covered under social security).

The cost of providing basic hospital and related benefits to people who are not social security or railroad retirement beneficiaries will be paid from general funds of the Treasury.

#### B. VOLUNTARY SUPPLEMENTARY MEDICAL INSURANCE PLAN

1. *General description.*—A package of benefits supplementing those provided under the basic plan will be offered to all persons 65 and over on a voluntary basis. Individuals who elect to enroll initially will pay premiums of \$3 a month (deducted, where possible, from social security, railroad retirement, or civil service retirement benefits). The Government will match this premium with \$3 paid from general funds.

2. *Effective date.*—Benefits will be effective beginning July 1, 1966.

3. *Eligibility.*—The medical insurance benefits will be available to all people age 65 and over (whether or not they are social security or railroad retirement beneficiaries) who are residents of the United States and either are citizens or aliens admitted for permanent residence who have had 5 years of continuous residence. Any person entitled to the basic hospital insurance benefits will be eligible regardless of the preceding requirements.

4. *Enrollment.*—Persons who have reached age 65 before January 1, 1966, will have an opportunity to enroll in an enrollment period which begins September 1, 1965, and ends March 31, 1966.

Persons attaining age 65 subsequent to December 31, 1965, will have enrollment periods of 7 months beginning 3 months before the month of attainment of age 65.

In the future, general enrollment periods will be from October to December 31 in each odd-numbered year. The first such period will be October 1 to December 31, 1967.

No person may enroll more than 3 years after the close of the first enrollment period in which he could have enrolled.

There will be only one chance to reenroll for persons who are in the plan but drop out, and the reenrollment must occur within 3 years of termination of the previous enrollment.

Coverage may be terminated (1) by the individual filing notice during an enrollment period, or (2) by the Government for nonpayment of premiums.

A State will be able to provide the supplementary medical insurance benefits for its public assistance recipients who are receiving cash assistance if it chooses to do so.

5. *Benefits.*—The supplementary medical insurance plan would cover physicians' services, home health services, and numerous other medical and health services in and out of medical institutions.

There is an annual deductible of \$50. Then the plan covers 80 percent of the patient's bill (above the deductible) for the following services:

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

(2) Home health service (with no requirement of prior hospitalization) for up to 100 visits during each calendar year.

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

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

(5) Ambulance services.

(6) 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) which replace all or part of an internal body organ; 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.

6. *Administration by carriers: Basis for reimbursement.*—The Secretary of Health, Education, and Welfare is required, to the extent possible, to contract with carriers to carry out the major administrative functions relating to the medical aspects of the voluntary supplementary medical insurance plan such as determining rates of payments under the program and holding and disbursing funds for benefit payments. No contract is to be entered into by the Secretary unless he finds that the carrier will perform its obligations under the contract efficiently and effectively and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent. The contract must provide that the carrier take necessary action to see that where payments are on a cost basis (to institutional providers of service), the cost is a reasonable cost. Correspondingly, where payments are on a charge basis (to physicians or others furnishing noninstitutional services), the carrier must see that the charges are reasonable and not higher than the charges applicable, for a comparable service and under comparable circumstances, to the other policyholders and subscribers of the carrier. Payment by the carrier for physicians' services will be made on the basis of a receipted bill, or on the basis of an assignment under the terms of which the reasonable charge will be the full charge for the service. In determining reasonable charges, the carriers will consider the customary charges for similar services generally made by the physician or other person or organization furnishing the covered services, and also the prevailing charges in the locality for similar services.

7. *Financing.*—Aged persons who elect to enroll in the medical insurance plan will pay monthly premiums of \$3. Where the individual is currently receiving monthly social security, railroad retirement, or civil service retirement benefits, the premiums will be deducted from his benefits where possible.

The Government will help finance the supplementary plan through a payment from general revenues in an equal amount of \$3 a month per enrollee. To provide an operating fund, if necessary, at the beginning of the supplementary plan, and to establish a contingency reserve, a Government appropriation will be available (on a repayable basis) equal to \$18 per aged person estimated to be eligible when the medical insurance plan goes into effect.

The individual and Government contributions will be placed in a separate trust fund for the supplementary plan. All benefit and administrative expenses under the plan will be paid from this fund.

Premium rates for enrolled persons (and the matching Government contribution) will be increased from time to time if program costs rise, but not more often than once every 2 years. The premium rate for a person who enrolls after the first period when enrollment is open to him or who reenrolls after terminating his coverage will be increased by 10 percent for each full 12 months he stayed out of the program.

8. *Income tax provisions.*—The legislation provides that the 3-percent floor on medical expense deductions, as well as the 1-percent limitation on medicines and drugs, is to apply to those age 65 or over in the same manner as it presently applies to those under age 65. This will have the effect of partially recovering the \$3 monthly premium paid from general funds of the Treasury from those aged persons who have taxable income, depending on the amount of their taxable income.

The law also provides a special deduction, available to those who itemize their deductions, of one-half of any premiums paid for insurance of medical

care expenses whether or not they have medical expenses in excess of the 3-percent floor, but this deduction may not exceed \$150 per year.

Another change limits the health and accident insurance premiums which may be taken into account to those which arise from coverage of medical care expenses and this must be indicated either on the insurance contract or on a separate statement supplied by the insurance company. Still a further change treats as current, qualifying medical care expenses (subject to limitations) the prepayment before age 65 of insurance for medical care after age 65. Also all maximum limitations on the medical expense deduction for all taxpayers are eliminated.

#### C. IMPROVEMENT AND EXTENSION OF KERR-MILLS MEDICAL ASSISTANCE PROGRAM

1. *General description.*—A single and separate medical care program can be established to consolidate and expand the differing provisions for the needy which currently are found in five titles of the Social Security Act.

The new title (XIX) will extend the medical assistance program not only to the aged who are indigent but also to needy individuals in the dependent children, blind, and permanently and totally disabled programs and to persons who would qualify under those programs if in sufficient financial need. States may also include other medically-needy children.

Medical assistance under title XIX must be made available to all individuals receiving money payments under these programs and the medical care or services available to all such individuals must be equal in amount, duration, and scope. Effective July 1, 1967, all children under age 21 must be included who would, except for age, be dependent children under title IV.

Inclusion of the medically indigent aged not on the cash assistance rolls would be optional with the States but if they are included, comparable groups if blind, disabled, and parents and children must also be included if they need help in meeting necessary medical costs. Moreover, the amount and scope of benefits for the medically indigent cannot be greater than that of recipients of cash assistance.

Under the new legislation, the current provisions of law in the various public assistance titles of the act providing vendor medical assistance would terminate upon the adoption of the new program by a State, but in no case later than December 31, 1969.

2. *Effective date.*—January 1, 1966.

3. *Scope of medical assistance.*—Under prior law the State must provide "some institutional and noninstitutional care" under the medical assistance for the aged program. There are no minimum benefit requirements at all under the other public assistance vendor medical programs.

The law requires that by July 1, 1967, under the new program a State must provide (1) inpatient hospital services, (2) outpatient hospital services, (3) other laboratory and X-ray services, (4) physicians' services (whether furnished in the office, the patient's home, a hospital, a skilled nursing home, or elsewhere), and (5) skilled nursing home services for individuals 21 years of age or older in order to receive Federal participation. Coverage of other items of medical service will be optional with the States.

4. *Eligibility.*—The States must provide a flexible income test which takes into account medical expenses and does not provide rigid income standards which deny assistance to people with large medical bills. Similarly the legislation provides that no deductible, cost sharing, or similar charge may be imposed by the State as to hospitalization under its program and that any such charge on other medical services must be reasonably related to the recipient's income or resources. Also there is a requirement that elderly needy people on the State programs be provided assistance to meet the deductibles that are imposed by the new basic program of hospital insurance. Moreover where a portion of any deductible or cost sharing required by the voluntary supplementary program is met by a State program, the portion covered must be reasonably related to the individual's income and resources. No income can be imputed to an individual unless actually available; and the financial responsibility of an individual for an applicant may be taken into account only if the applicant is the individual's spouse or child who is under age 21 or blind or disabled.

5. *Standards as to quality of care and safety.*—It is required that the States include in their State plans descriptions of the medical staff utilized, the standards for institutions providing medical care and other methods that will promote high quality medical care.

6. *Increased Federal matching.*—The Federal share of medical assistance expenditures under the new program is determined upon a uniform formula with no maximum on the amount of expenditures which would be subject to participation. There is no maximum under prior law on similar amounts for the medical assistance for the aged program. The Federal share, which varies in relation to a State's per capita income, will be increased over current medical assistance for the aged matching so that States at the national average will receive 55 percent rather than 50 percent, and States at the lowest level could receive as much as 83 percent as contrasted with 80 percent under prior law.

In order to receive any additional Federal funds as a result of expenditures under the new program, the States would need to continue their own expenditures at least at their present rate. For a specified period, any State that did not reduce its own expenditures would be assured of at least a 5-percent increase in Federal participation in medical care expenditures. As to compensation and training of professional medical personnel used in the administration of the program, the legislation would provide a 75-percent Federal share as compared with the 50-50 Federal-State sharing for other administrative expenses.

7. *Administration.*—The new law provides that any State agency may be designated by the State to administer the program, as long as the determination of eligibility is accomplished by the agency administering the old-age assistance program.

**COMPARISON SHOWING PRIOR LAW AND CHANGES MADE BY SOCIAL SECURITY AMENDMENTS OF 1965  
EXTENSION OF KERR-MILLS PROGRAM**

Item	Prior law	Law as amended by Public Law 89-97
1. Brief summary-----	<p>Permits States to include in their plans under title I a program of Medical Assistance for the Aged (MAA); that is, to provide medical vendor payments (payments directly to the suppliers of medical services) for aged persons who are not Old-Age Assistance recipients, but whose income and resources are insufficient to meet the costs of necessary medical services. The State plan for Medical Assistance for the Aged may specify medical services of any scope and duration provided that both institutional (hospitals, etc.) and noninstitutional (outpatient clinics, physicians, etc.) services are included.</p> <p>There is no dollar ceiling. The overall amount of Federal participation is governed by the extent of the State programs. The Federal share varies from 50 percent (for States with per capita income equal to or above the national average) up to 80 percent for lower per capita income States.</p> <p>The Federal Government also shares in medical vendor payments for recipients of the other public assistance programs.</p> <p>(There are differing formulas for vendor medical payments on behalf of persons on Old-Age Assistance (title I), Aid to the Blind (title X), Aid to Families with Dependent Children (title IV), Aid to the Permanently and Totally Disabled (title XIV) and the consolidated program for the aged, blind, and disabled (title XVI).)</p>	<p>Replaces MAA with a new program (title XIX designed like MAA to give vendor payment medical assistance to the aged who are medically indigent but also covers recipients of Old-Age Assistance (OAA) as well as recipients of Aid to the Blind, the Permanently and Totally Disabled, Needy Families with Dependent Children and the consolidated program for the aged, blind, and disabled. The amount, duration, and scope of benefits (except as specified) must be the same for the different categories of cash assistance recipients who receive vendor payments under the new combined program.</p> <p>Inclusion of the medically indigent aged would be optional with the States but if they are included, comparable groups of blind, disabled, and parents and needy children must also be included if they need help in meeting necessary medical costs. Other medically needy children may be included if the States wish to do so. The amount, duration, and scope of benefits for the medically indigent (except as specified) must be the same and cannot be greater than that of recipients on the basic maintenance programs.</p> <p>Certain changes are made in State plan requirements relating to the evaluation of income and resources for eligibility purposes, the imposition of deductibles, the payment of deductibles under the basic hospital plan or the payment of deductibles and co-insurance under the voluntary supplementary plan, and the granting the States authority to impose enrollment fees or charges on individuals if they are reasonably related to the recipient's income (or his income and resources).</p> <p>Five specific health services must be provided under new program by June 30, 1967.</p> <p>The Federal Government will continue to participate in medical vendor payments in MAA and OAA and other public assistance programs until the new program is in operation in the States or through December 31, 1969, whichever occurs earlier.</p> <p>The matching for the new program would follow that of MAA in that there would be no dollar ceiling. However, the Federal share would vary from 50 percent to 83 percent with States at the national average receiving 55 percent. For a specified period, any State that does not reduce its expenditures would be assured at least a 5-percent increase in Federal participation in medical care expenditures.</p> <p>Effective January 1, 1966. Existing medical vendor provisions will become obsolete on January 1, 1970.</p>

2. Medical Assistance for the Aged:

(a) Eligibility for assistance-----

To be eligible an individual—

- (1) Must have attained age 65;
- (2) Must not be a recipient of old-age assistance;

(3) Must have income and resources, as determined by the State, insufficient to meet all of the cost of the medical services outlined below. The State plan must provide reasonable standards, consistent with the objectives of the program, for determining eligibility and the extent of assistance.

The State plan for Medical Assistance for the Aged may specify medical services of any scope and duration, provided that both institutional and noninstitutional services are included. Federal participation is restricted to vendor medical payments: i.e., payments made by the States directly to the doctor, hospital, etc., providing medical services on behalf of the recipient.

The Federal Government shares in the expense of providing the following kinds of medical services:

- (1) Inpatient hospital services;
- (2) Skilled nursing home services;
- (3) Physicians' services;
- (4) Outpatient hospital or clinic services;
- (5) Home health care services;
- (6) Private duty nursing services;
- (7) Physical therapy and related services;
- (8) Dental services;
- (9) Laboratory and X-ray services;
- (10) Prescribed drugs, eyeglasses, dentures, and prosthetic devices;
- (11) Diagnostic, screening, and preventive services; and
- (12) Any other medical care or remedial care recognized under State law.

The Federal Government does not share in the expense of providing medical services to inmates of public institutions (other than medical institutions), to patients in mental or tuberculosis institutions or to patients in medical institutions as a result of a diagnosis of tuberculosis or psychosis after 42 days of care.

(b) Benefits-----

Medical Assistance for Aged program as such will be inoperative by January 1, 1970, or by adoption of new combined medical assistance program, but the MAA group of aged would be governed by the same eligibility standards with the following modifications:

- (1) Same as existing law.
- (2) No longer applicable to recipients of Old-Age Assistance since they will be eligible under new program.
- (3) Same but State must provide flexible income test which takes into account medical expenses (including health insurance premiums). (See also State plan requirements. (See pp. 25-27.)

Essentially the same, except after July 1, 1967, benefits for new medical program *must* include at least following five services:

- (1) Inpatient hospital services (except in institution for tuberculosis or mental diseases);
- (2) Outpatient hospital services;
- (3) Other laboratory and X-ray services;
- (4) Skilled nursing home services (except in institution for tuberculosis or mental diseases) for persons age 21 or older; and
- (5) Physician's services whether furnished in the office, the patient's home, a hospital, a skilled nursing home or elsewhere;

Other services are optional and are the same as authorized under existing law with the following exceptions:

(10) Modified so eyeglasses will be prescribed by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select.

(12) Modifies provision so that medical care or remedial care recognized under State law, either has to be specified by the Secretary or is furnished by licensed practitioners within the scope of their practice as defined by State law.

Adds provision for inpatient hospital services and skilled nursing home services for persons age 65 and over in institution for tuberculosis or mental diseases.

Removes exclusion from Federal matching as to aged individuals who are patients in institutions for tuberculosis or mental diseases, or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional Federal money. Provides that States will receive no more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs.

**COMPARISON SHOWING PRIOR LAW AND CHANGES MADE BY SOCIAL SECURITY AMENDMENTS OF 1965—Con.  
EXTENSION OF KERR-MILLS PROGRAM—Continued**

Item	Prior law	Law as amended by Public Law 89-97																																																																																																																																																
2. Medical Assistance for the Aged—Con. (c) Matching formula: (1) Federal share-----	<p>Federal payments reimburse the States for a portion of their expenditures under approved plans for medical assistance for the aged according to an equalization formula which ranges from 50 to 80 percent depending upon the per capita income of the States as related to the national per capita income. States at or above national average get a 50 percent Federal share.</p> <p align="center"><i>Federal medical percentages applicable for July 1, 1965, through June 30, 1967</i></p> <table border="0"> <thead> <tr> <th align="left">State:</th> <th align="right">Percentage<sup>1</sup></th> </tr> </thead> <tbody> <tr><td>Alabama.....</td><td align="right">78.02</td></tr> <tr><td>Alaska.....</td><td align="right">50.00</td></tr> <tr><td>Arizona.....</td><td align="right">60.10</td></tr> <tr><td>Arkansas.....</td><td align="right">79.24</td></tr> <tr><td>California.....</td><td align="right">50.00</td></tr> <tr><td>Colorado.....</td><td align="right">50.00</td></tr> <tr><td>Connecticut.....</td><td align="right">50.00</td></tr> <tr><td>Delaware.....</td><td align="right">50.00</td></tr> <tr><td>District of Columbia.....</td><td align="right">50.00</td></tr> <tr><td>Florida.....</td><td align="right">62.41</td></tr> <tr><td>Georgia.....</td><td align="right">72.49</td></tr> <tr><td>Hawaii.....</td><td align="right">50.00</td></tr> <tr><td>Idaho.....</td><td align="right">68.16</td></tr> <tr><td>Illinois.....</td><td align="right">50.00</td></tr> <tr><td>Indiana.....</td><td align="right">50.13</td></tr> <tr><td>Iowa.....</td><td align="right">56.90</td></tr> <tr><td>Kansas.....</td><td align="right">56.47</td></tr> <tr><td>Kentucky.....</td><td align="right">73.70</td></tr> <tr><td>Louisiana.....</td><td align="right">74.16</td></tr> <tr><td>Maine.....</td><td align="right">66.10</td></tr> <tr><td>Maryland.....</td><td align="right">50.00</td></tr> <tr><td>Massachusetts.....</td><td align="right">50.00</td></tr> <tr><td>Michigan.....</td><td align="right">50.00</td></tr> <tr><td>Minnesota.....</td><td align="right">55.15</td></tr> <tr><td>Mississippi.....</td><td align="right">80.00</td></tr> <tr><td>Missouri.....</td><td align="right">50.00</td></tr> <tr><td>Montana.....</td><td align="right">59.76</td></tr> <tr><td>Nebraska.....</td><td align="right">54.39</td></tr> <tr><td>Nevada.....</td><td align="right">50.00</td></tr> <tr><td>New Hampshire.....</td><td align="right">55.11</td></tr> <tr><td>New Jersey.....</td><td align="right">50.00</td></tr> <tr><td>New Mexico.....</td><td align="right">68.43</td></tr> <tr><td>New York.....</td><td align="right">50.00</td></tr> <tr><td>North Carolina.....</td><td align="right">73.27</td></tr> <tr><td>North Dakota.....</td><td align="right">66.37</td></tr> </tbody> </table>	State:	Percentage <sup>1</sup>	Alabama.....	78.02	Alaska.....	50.00	Arizona.....	60.10	Arkansas.....	79.24	California.....	50.00	Colorado.....	50.00	Connecticut.....	50.00	Delaware.....	50.00	District of Columbia.....	50.00	Florida.....	62.41	Georgia.....	72.49	Hawaii.....	50.00	Idaho.....	68.16	Illinois.....	50.00	Indiana.....	50.13	Iowa.....	56.90	Kansas.....	56.47	Kentucky.....	73.70	Louisiana.....	74.16	Maine.....	66.10	Maryland.....	50.00	Massachusetts.....	50.00	Michigan.....	50.00	Minnesota.....	55.15	Mississippi.....	80.00	Missouri.....	50.00	Montana.....	59.76	Nebraska.....	54.39	Nevada.....	50.00	New Hampshire.....	55.11	New Jersey.....	50.00	New Mexico.....	68.43	New York.....	50.00	North Carolina.....	73.27	North Dakota.....	66.37	<p>Under matching formula for new medical program Federal payments reimburse the States for a portion of their expenditures according to an equalization formula ranging from 50 to 83 percent, depending upon the per capita income of the State as it is related to the national per capita income. Federal sharing for States at the national average would be 55 percent; for most States above the national average, sharing would be 50 percent. Like MAA, there is no maximum on the amount in which the Federal Government would share.</p> <p align="center"><i>Federal medical assistance percentage applicable for January 1, 1966-June 30, 1967</i></p> <table border="0"> <thead> <tr> <th align="left">State:</th> <th align="right">Percentage<sup>2</sup></th> </tr> </thead> <tbody> <tr><td>Alabama.....</td><td align="right">79.85</td></tr> <tr><td>Alaska.....</td><td align="right">50.00</td></tr> <tr><td>Arizona.....</td><td align="right">63.94</td></tr> <tr><td>Arkansas.....</td><td align="right">81.67</td></tr> <tr><td>California.....</td><td align="right">50.00</td></tr> <tr><td>Colorado.....</td><td align="right">53.08</td></tr> <tr><td>Connecticut.....</td><td align="right">50.00</td></tr> <tr><td>Delaware.....</td><td align="right">50.00</td></tr> <tr><td>District of Columbia.....</td><td align="right">50.00</td></tr> <tr><td>Florida.....</td><td align="right">65.21</td></tr> <tr><td>Georgia.....</td><td align="right">74.91</td></tr> <tr><td>Hawaii.....</td><td align="right">52.97</td></tr> <tr><td>Idaho.....</td><td align="right">70.73</td></tr> <tr><td>Illinois.....</td><td align="right">50.00</td></tr> <tr><td>Indiana.....</td><td align="right">55.77</td></tr> <tr><td>Iowa.....</td><td align="right">60.39</td></tr> <tr><td>Kansas.....</td><td align="right">61.45</td></tr> <tr><td>Kentucky.....</td><td align="right">76.70</td></tr> <tr><td>Louisiana.....</td><td align="right">76.41</td></tr> <tr><td>Maine.....</td><td align="right">69.57</td></tr> <tr><td>Maryland.....</td><td align="right">50.00</td></tr> <tr><td>Massachusetts.....</td><td align="right">50.00</td></tr> <tr><td>Michigan.....</td><td align="right">50.31</td></tr> <tr><td>Minnesota.....</td><td align="right">60.46</td></tr> <tr><td>Mississippi.....</td><td align="right">83.00</td></tr> <tr><td>Missouri.....</td><td align="right">53.90</td></tr> <tr><td>Montana.....</td><td align="right">62.86</td></tr> <tr><td>Nebraska.....</td><td align="right">60.39</td></tr> <tr><td>Nevada.....</td><td align="right">50.00</td></tr> <tr><td>New Hampshire.....</td><td align="right">61.31</td></tr> <tr><td>New Jersey.....</td><td align="right">50.00</td></tr> <tr><td>New Mexico.....</td><td align="right">70.73</td></tr> <tr><td>New York.....</td><td align="right">50.00</td></tr> <tr><td>North Carolina.....</td><td align="right">75.58</td></tr> <tr><td>North Dakota.....</td><td align="right">66.67</td></tr> </tbody> </table>	State:	Percentage <sup>2</sup>	Alabama.....	79.85	Alaska.....	50.00	Arizona.....	63.94	Arkansas.....	81.67	California.....	50.00	Colorado.....	53.08	Connecticut.....	50.00	Delaware.....	50.00	District of Columbia.....	50.00	Florida.....	65.21	Georgia.....	74.91	Hawaii.....	52.97	Idaho.....	70.73	Illinois.....	50.00	Indiana.....	55.77	Iowa.....	60.39	Kansas.....	61.45	Kentucky.....	76.70	Louisiana.....	76.41	Maine.....	69.57	Maryland.....	50.00	Massachusetts.....	50.00	Michigan.....	50.31	Minnesota.....	60.46	Mississippi.....	83.00	Missouri.....	53.90	Montana.....	62.86	Nebraska.....	60.39	Nevada.....	50.00	New Hampshire.....	61.31	New Jersey.....	50.00	New Mexico.....	70.73	New York.....	50.00	North Carolina.....	75.58	North Dakota.....	66.67
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South Dakota.....	67.24
Tennessee.....	74.13
Texas.....	63.43
Utah.....	62.19
Vermont.....	62.70
Virginia.....	65.11
Washington.....	50.00
West Virginia.....	70.90
Wisconsin.....	52.55
Wyoming.....	50.00

<sup>1</sup> Based on average per capita income for 1961, 1962 and 1963.

75 percent Federal matching is authorized for certain rehabilitation services for aged recipients and for the training of welfare personnel.

The Federal Government pays 50 percent of other administrative costs.

(2) Pass along provision---

No provision in existing law to insure that public assistance recipients receive higher payments because of legislation liberalizing the Federal matching formula.

(d) State plan requirements-----

In order to be eligible for Federal participation, the State must provide Medical Assistance for the Aged according to a plan submitted to the Secretary of Health, Education, and Welfare, and approved by him, which meets the requirements set out in the law. The State plan provisions are generally the same as those required for the other public assistance programs with the following exceptions:

A State plan—

(a) must not require a premium, enrollment fee, or similar charge as a condition of eligibility;

Ohio.....	52.33
Oklahoma.....	70.32
Oregon.....	54.12
Pennsylvania.....	54.38
Rhode Island.....	56.13
South Carolina.....	81.30
South Dakota.....	71.05
Tennessee.....	76.86
Texas.....	67.27
Utah.....	66.30
Vermont.....	68.44
Virginia.....	66.96
Washington.....	50.81
West Virginia.....	74.27
Wisconsin.....	57.60
Wyoming.....	55.47

<sup>2</sup> Based on average per capita income for 1962, 1963, and 1964.

During the period January 1, 1966, through June 30, 1969, the Federal medical assistance percentage shall not be less than 105 percent of the Federal share of medical expenditures by the State during fiscal year 1965.

75 percent Federal matching will be available as to costs attributable to compensation or training of skilled professional medical personnel and staff directly supporting such personnel.

Same as existing law.

Federal matching for any State for any quarter prior to July 1, 1969, shall be reduced to the extent the excess of Federal matching for such quarter for the new medical program, old-age assistance, aid to needy families with children, aid to the blind, aid to the permanently and totally disabled, and aid under the consolidated program over the corresponding quarter in fiscal year 1964 or 1965 or average quarterly Federal matching for these programs in fiscal year 1964 or 1965 is greater than the excess of total expenditures (Federal, State, and local) on these programs in such quarter over the corresponding quarter or of the average total quarterly expenditures on these programs in fiscal year 1964 or 1965.

The State plan requirements for the new medical program incorporate many of the plan requirements of existing programs. The following are the differences as they particularly affect the Medical Assistance for the Aged group:

(1) Modifies provision to allow State to impose premiums, enrollment fees, on similar charges for certain medical assistance furnished under the plan if they are reasonably related (as determined in accordance with standards prescribed by the Secretary) to the recipient's income or to his income and resources;

COMPARISON SHOWING PRIOR LAW AND CHANGES MADE BY SOCIAL SECURITY AMENDMENTS OF 1965—Continued

EXTENSION OF KERR-MILLS PROGRAM—Continued

Item	Prior law	Law as amended by Public Law 89-97
<p>2. Medical Assistance for the Aged—Con. (d) State plan requirements—Con.</p>	<p>(2) must not impose property liens during the lifetime of the individual receiving benefits (except pursuant to court judgment on account of benefits incorrectly paid) and any recovery provisions under the plan must be limited to the estate of the individual after his death and the death of his surviving spouse;</p> <p>(3) must not impose a citizenship requirement which would exclude a citizen of the United States or a requirement which excludes a resident of the State;</p> <p>(4) must also provide, to the extent required by the Secretary of Health, Education, and Welfare, for inclusion of residents of the State who are absent therefrom; and</p> <p>(5) Include reasonable standards consistent with the objectives of this title for determining eligibility for, and the extent of assistance;</p> <p>(6) If a State has both a program for old-age assistance and medical assistance for the aged it must be administered by a single State agency;</p>	<p>(2) Broadened so that recovery would be further postponed where there is surviving child, under 21 or blind or disabled. No recovery is permitted for medical assistance received before age 65.</p> <p>(3) Same as existing law.</p> <p>(4) Same as existing law.</p> <p>(5) Same but with addition so that standards (a) take into account only such income and resources as are (as determined in accordance with standards prescribed by the Secretary), available to the applicant or recipient; (b) must provide for reasonable evaluation of income or resources; (c) do not take into account the financial responsibility of any individual for any applicant or recipient who is not such individual's spouse or child under age 21 or blind or disabled; and (d) provide for flexibility in the application of such standards with respect to income by taking into account (except to the extent prescribed by the Secretary) the costs (whether in the form of insurance premiums or otherwise) incurred for medical care.</p> <p>(6) The medical program may be administered by any single State agency except that eligibility for medical assistance must be determined by the agency that administers old-age assistance (or title XVI). In certain States with separate blind agencies, however, the portion of the plan relating to the blind may be administered by those agencies. The following additional plan requirements pertinent to the MAA group are added:</p> <p>(7) Until July 1, 1970, local funds may be used for up to 60 percent of non-Federal share of expenditures under the program. After that date, local participation may continue if Federal and State funds are distributed on equalization or other basis that will assure that lack of adequate local funds will not lessen the services available under the plan.</p> <p>(8) No deductible, cost sharing, or similar charge will be imposed on any individual in respect to inpatient hospital service, nor with respect to any other care or service unless it is reasonably related (as determined in accordance with standards approved</p>

(e) Use of private health insurance.

Includes in the amounts subject to Federal matching the expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof.

3. Effect on other public assistance programs:

(a) Medical vendor program content and scope.

No uniformity required as to eligibility or as to the amount or scope of benefits between medical vendor programs for Old Age Assistance (title I), Aid to Families with Dependent Children (title IV), Aid to

by the Secretary) to the recipient's income or his income and resources.

(9) In the case of aged individuals covered by the insurance programs (hospital insurance benefits for the aged, and supplementary medical insurance benefits for the aged) established by the Act, provide—

(A) For meeting the full cost of any deductible imposed with respect to any such individual under such hospital insurance benefits program; and

(B) Where, under the plan, all of a deductible, cost sharing, or similar charge imposed with respect to any such individual under the supplementary medical insurance benefits program is not met, the portion which is met shall be determined on a basis reasonably related (as determined in accordance with standards approved by the Secretary and included in the plan) to such individual's income or to his income and resources.

(10) If benefits are provided for the medically indigent aged, similar provision must be made for the medically indigent blind, disabled, and dependent children and their parents. Benefits and eligibility standards must be comparable between groups. The benefits provided to the medically indigent cannot be greater than those provided to the cash recipients.

(11) Safeguards must be provided to insure determination of eligibility and provision of services be administratively simple and in the best interest of recipients.

(12) Provide for entering into cooperative arrangements with the State agencies responsible for administering of health services and vocational rehabilitation services, looking toward maximum utilization of such services in the provision of medical assistance under the plan.

(13) Provide for the reasonable cost (as determined in accordance with standards approved by the Secretary and included in the plan) of inpatient hospital services provided under the plan.

(14) Include descriptions of kinds, numbers, and responsibilities of professional medical personnel, the standards to be used by standard-setting authorities for institutions, the cooperative arrangements with State health and vocational rehabilitation agencies, and other standards and methods to be used to assure provision of medical or remedial care and that services are of high quality. Same as existing law.

Federal participation in medical vendor payments will cease after Dec. 31, 1969 (or upon the States' implementation of the new program if earlier) as to all existing titles (I, IV, X, XIV, and XVI). After that date



## (c) Matching formula—vendor medical payments.

There are various formulas which determine the extent of Federal participation:

*Aid to families with dependent children (title IV).*—Medical payments and cash assistance combined in one formula with Federal participation limited to an average monthly expenditure of \$30 per child or adult recipient.

*Aid to blind (title X) and aid to permanently and totally disabled (title XIV).*—Medical payment and cash assistance combined in one formula as to each program with Federal participation limited to an average monthly expenditure of \$70 per recipient.

*Old-age assistance (title I).*—A separate medical payments formula which is applicable to \$15 of expenditures above the \$70 average monthly participation limit or to \$15 of expenditures within the \$70 limit.

For States with average monthly payments over \$70, the Federal Government participates in the expenditures in excess of that amount except that such participation is limited to the amount of the average vendor medical payment with a maximum of \$15. The Federal share in the excess expenditure is the "Federal medical percentage" for the State, which ranges from 50 to 80 percent under a formula based on per capita income.

For States with average monthly payments of \$70 or less, the additional Federal share in average vendor medical payments up to \$15 is an additional 15 percent over the "Federal percentage"\* (which ranges from 50 percent to 65 percent based on per capita income).

This percentage, when added to the usual "Federal percentage," results in a total Federal share of from 65 to 80 percent. The additional Federal share of 15 percent also is available to States with average monthly payments over \$70 when it is advantageous to them as an alternative to the method described above.

*Combined program for aged, blind, and disabled (title XVI).*—As of December 1, 1964, some 14 jurisdictions had combined programs for the adult categories. The Federal participation as to this program is the same as for OAA.

- (2) outpatient hospital services;
  - (3) other laboratory and X-ray services;
  - (4) skilled nursing home services (except in institutions for tuberculosis or mental diseases) for persons age 21 or older;
  - (5) physician's services whether furnished in the office, the patient's home, a hospital, a skilled nursing home, or elsewhere;
- Other services are optional.

The State plan must provide for the payment of reasonable costs of inpatient hospital services as is done for MAA group.

As to all categories of recipients, provides Federal participation (varies from 50 to 83 percent). Like MAA, there is no maximum on the amount which the Federal Government would share in.

\*The "Federal percentage" determines the amount of Federal participation as to the amount of average payments between \$35 and \$70 for the adult programs (\$17 to \$30 for AFDC).

**PUBLIC ASSISTANCE**  
**I. INCREASE IN FEDERAL MATCHING FORMULA**

Item	Prior law	Law as amended by Public Law 89-97																																																																										
A. Payments for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, or the combined aged, blind, and disabled program (title XVI).	<p>Federal matching share is \$29 of the first \$35 (<math>\frac{2}{3}</math> of the first \$35) with variable matching on the amount above \$35 up to a maximum of \$70 per recipient per month.</p> <p>Matching for States whose per capita income is at or above the national average is 50 percent, while for States below the national average it varies up to 65 percent.</p> <p>The "Federal percentages" as promulgated for the period July 1, 1965, through June 30, 1967, are as follows:</p>	<p>Effective January 1, 1966, the Federal matching share will be increased to \$31 out of the first \$37 (<math>\frac{3}{4}</math> of the first \$37) with variable matching on the amount above \$37 up to a maximum of \$75 per recipient per month.</p> <p style="text-align: center;">No change.</p>																																																																										
	<p style="text-align: right;"><i>Federal</i></p> <p style="text-align: right;"><i>percentage</i><sup>1</sup></p> <p>State:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Alabama.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Alaska.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Arizona.....</td><td style="text-align: right;">60.10</td></tr> <tr><td>Arkansas.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>California.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Colorado.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Connecticut.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Delaware.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>District of Columbia.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Florida.....</td><td style="text-align: right;">62.41</td></tr> <tr><td>Georgia.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Hawaii.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Idaho.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Illinois.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Indiana.....</td><td style="text-align: right;">50.13</td></tr> <tr><td>Iowa.....</td><td style="text-align: right;">56.90</td></tr> <tr><td>Kansas.....</td><td style="text-align: right;">56.47</td></tr> <tr><td>Kentucky.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Louisiana.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Maine.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Maryland.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Massachusetts.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Michigan.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Minnesota.....</td><td style="text-align: right;">55.15</td></tr> <tr><td>Mississippi.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Missouri.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Montana.....</td><td style="text-align: right;">59.76</td></tr> <tr><td>Nebraska.....</td><td style="text-align: right;">54.39</td></tr> <tr><td>Nevada.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>New Hampshire.....</td><td style="text-align: right;">55.11</td></tr> <tr><td>New Jersey.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>New Mexico.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>New York.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>North Carolina.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>North Dakota.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Ohio.....</td><td style="text-align: right;">50.00</td></tr> <tr><td>Oklahoma.....</td><td style="text-align: right;">65.00</td></tr> <tr><td>Oregon.....</td><td style="text-align: right;">50.00</td></tr> </table>		Alabama.....	65.00	Alaska.....	50.00	Arizona.....	60.10	Arkansas.....	65.00	California.....	50.00	Colorado.....	50.00	Connecticut.....	50.00	Delaware.....	50.00	District of Columbia.....	50.00	Florida.....	62.41	Georgia.....	65.00	Hawaii.....	50.00	Idaho.....	65.00	Illinois.....	50.00	Indiana.....	50.13	Iowa.....	56.90	Kansas.....	56.47	Kentucky.....	65.00	Louisiana.....	65.00	Maine.....	65.00	Maryland.....	50.00	Massachusetts.....	50.00	Michigan.....	50.00	Minnesota.....	55.15	Mississippi.....	65.00	Missouri.....	50.00	Montana.....	59.76	Nebraska.....	54.39	Nevada.....	50.00	New Hampshire.....	55.11	New Jersey.....	50.00	New Mexico.....	65.00	New York.....	50.00	North Carolina.....	65.00	North Dakota.....	65.00	Ohio.....	50.00	Oklahoma.....	65.00
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Rhode Island.....	50.30
South Carolina.....	65.00
South Dakota.....	65.00
Tennessee.....	65.00
Texas.....	63.43
Utah.....	62.19
Vermont.....	62.70
Virginia.....	65.00
Washington.....	50.00
West Virginia.....	65.00
Wisconsin.....	52.55
Wyoming.....	50.00

<sup>1</sup> Based on average per capita income for 1961, 1962, and 1963.

*Vendor medical payments.*—For old-age assistance and for the combined aged, blind, and disabled program there is additional Federal matching as to medical vendor payments (i.e., payments directly to the providers of medical services) with respect to State expenditures for medical or remedial care, the larger of the following alternatives:

“Federal medical percentage” of vendor payment expenditures that are above \$70 per month, up to \$15 per recipient per month.

or

15 percent of vendor payment expenditures, up to \$15 per recipient per month.

The “Federal medical percentage” is dependent on the relationship between State per capita income and the national per capita income. The percentage ranges from 50 percent for States at or above the national average to 80 percent for States with the lowest income.

For States with average monthly payments over \$70, the Federal Government participates at the rate of the “Federal medical percentage” in the expenditures over \$70 except that such participation is limited to the amount of the average vendor medical payment up to \$15 per recipient per month.

For States with average monthly payments of \$70 per month or less, the Federal share in average vendor medical payments up to \$15 per recipient per month is an additional 15 percent over and above the “Federal percentage” used to compute the Federal share of money payments.

Provision is also made that a State with an average payment over \$70 per month can never receive less in additional Federal funds in respect to such medical service costs than if it had an average payment of \$70 per month.

Permits Federal matching of State expenditures under all four public assistance programs for medical or remedial care furnished within 3 months before the month in which a person applies for assistance.

For those States which adopt the optional combined aged, blind, and disabled program the additional \$15 matching for medical vendor payments is applicable to the blind and disabled recipient under the combined program.

No change; but vendor medical provisions become obsolete on January 1, 1970.

Formula also changed to reflect new matching maximum on assistance payments of \$75.

Formula is restated so that amounts in which the Federal Government participates at the “Federal medical percentage” are counted before those in which participation is at this “Federal percentage.”

**PUBLIC ASSISTANCE—Continued**

**I. INCREASE IN FEDERAL MATCHING FORMULA—Continued**

Item	Prior law	Law as amended by Public Law 89-97
B. Payments for aid to families with dependent children.	For money and medical vendor payments the Federal share is \$14 out of the first \$17 ( $\frac{14}{17}$ of the first \$17) per recipient per month with variable matching on the amount above \$17 up to a maximum of \$30 per recipient per month. Variable matching for the States is at the same percentages as old-age assistance money payment matching.	Effective January 1, 1966, the Federal matching share would be increased to \$15 out of the first \$18 ( $\frac{15}{18}$ of the first \$18) with variable matching on the amount above \$18 up to a maximum of \$32 per month per recipient.
C. Special formula for Puerto Rico, Virgin Islands, and Guam:		
1. Matching formula-----	Federal matching on a 50-50 basis on both money and vendor medical payments up to a maximum of \$37.50 a month times the number of recipients on the old-age, blind, and disabled program with a maximum of \$18 a month times the number of recipients on the aid to dependent children program. Additional matching for vendor medical expenditures is available for up to \$7.50 per month per recipient on old-age assistance and combined adult program rather than the additional \$15 per month per recipient which applies to the States and the District of Columbia.	No change.
2. Dollar limitation-----	Total Federal payments for all 4 public assistance programs may not exceed— Puerto Rico----- \$9, 800, 000 Virgin Islands----- 330, 000 Guam----- 450, 000 In each case a portion of these amounts is only available if used to provide additional medical vendor payments on behalf of assistance recipients: Puerto Rico----- \$625, 000 Virgin Islands----- 18, 750 Guam----- 25, 000 Federal payments for programs of medical assistance for the aged are excepted from dollar limitation provision.	No change.
D. Pass along provision-----	No provision in existing law to insure that public assistance recipients receive higher payments because of legislation liberalizing the Federal matching formula.	Deletes required earmarking for medical vendor payments on approval of its plan for medical assistance under title XIX. Federal matching for any State for any quarter shall be reduced to the extent that the excess of the Federal matching for such quarter over the corresponding quarter for 1964 or 1965 or the average Federal matching for quarters in fiscal 1964 or 1965 is greater than the excess of total Federal, State, and local expenditures for the quarter over the corresponding quarter or the average Federal, State, and local total expenditures for quarters in fiscal 1964 or 1965.
E. Alternative formula for computing Federal share.	No provision.	Permits any State that has an approved plan for medical assistance under title XIX to claim Federal matching for its expenditures under all of its public assistance programs under the same formula provided under title XIX instead of using the varying formulas in the other programs.

F. Consideration of income in determination of need.

1. Disregarding earnings and other income in old-age assistance and aged in combined program (title XVI).
2. Disregarding earnings and other income of blind individuals under title X and under title XVI (combined program).
3. Disregarding earnings and other income of disabled individual under title XIV and under title XVI (combined program).
4. Disregarding earnings and other income in aid to families with dependent children (title IV).
5. Disregarding OASDI benefit increase, and child's benefit beyond age 18, to extent attributable to retroactive effective date.

In determining the need of an aged recipient, a State may, after Dec. 31, 1962, disregard a portion of earned income. Of the first \$50 per month, the State may disregard up to the first \$10 completely, plus ½ of the remainder.

In determining need of blind individuals, a State must disregard the first \$85 per month of earned income and, for up to a 12-month period, any other income and resources needed to accomplish an approved plan for self-support, with option to State to extend up to additional 24 months.

No provision.

No provision.

No provision in past legislation to exempt OASDI benefit increases from public assistance income considerations.

In determining need of an aged recipient, a State may, after Oct. 1, 1965, disregard up to \$5 per month of any income and also disregard an additional portion of earned income. Of the first \$80 per month of additional income which is earned, the State may disregard the first \$20 completely, plus ½ of the remainder.

Effective October 1, 1965, over and above present exemptions, State may disregard up to \$5 per month of any income.

In determining need of a disabled recipient under titles XIV and XVI, effective October 1, 1965, a State may disregard up to \$5 of any income and of the first \$80 per month of additional income which is earned, the State may disregard the first \$20 completely, plus ½ of the remainder and may also disregard for up to 36 months such additional amounts of income and resources as may be necessary for the fulfillment of an approved plan for achieving self-support but only while he is actually undergoing vocational rehabilitation.

In determining need under title IV, effective July 1, 1965, the State may disregard not more than \$50 per month of earned income of each dependent child under age 18 but not more than \$150 per month in the same home. Effective October 1, 1965, the State may disregard up to \$5 of any income before disregarding child's earned income as provided above.

Would allow a State to disregard the retroactive portion (back to January 1965) of the 7 percent benefit increase or the child benefit for children over 18 in school in determining need of the aged, blind, disabled, or families with dependent children.

II. MENTAL AND TB EXCLUSION

A. Old-age assistance and aged individual in combined program (title XVI).

Federal matching is available as to cash and vendor payment, but does not include—

(1) Cash or vendor payments on behalf of an inmate of a public institution (except as a patient in medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or

(2) Any cash payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof;

(3) Vendor payments on behalf of any individual who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis with respect to any period after the individual has been a patient in such an institution for 42 days.

(1) Deletes tuberculosis and mental exclusion for individuals age 65 or over; retains exclusion as to payments to inmates of a public institution (except as a patient in a mental institution).

(2) Deletes tuberculosis and mental exclusion.

(3) Deletes tuberculosis and mental exclusion entirely

**PUBLIC ASSISTANCE—Continued**

**II. MENTAL AND TB EXCLUSION—Continued**

Item	Prior law	Law as amended by Public Law 89-97
B. Aid to blind and disabled-----	<p>Federal matching is available as to cash and vendor payment, but does not include—</p> <p>(1) Cash or vendor payments on behalf of an inmate of a public institution (except as a patient in medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or</p> <p>(2) Any cash or vendor payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof;</p>	<p>(1) No change.</p> <p>(2) Deletes tuberculosis and mental exclusion.</p>
C. Medical assistance for the aged-----	<p>Federal matching is available as to vendor payments but does not include—</p> <p>(1) Payments on behalf of an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases, or</p> <p>(2) On behalf of any individual who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis with respect to any period after the individual has been a patient in such an institution for 42 days.</p>	<p>(1) Deletes tuberculosis and mental exclusion; retains exclusion as to payments to inmates of a public institution (except as a patient in a mental institution).</p> <p>(2) Deletes tuberculosis and mental exclusion entirely.</p>
D. State plan requirements-----	<p>No provision.</p>	<p>As to old-age assistance, medical assistance for the aged, combined program (title XVI) or new medical assistance program (title XIX) adds requirement that if State plan includes cash payment or vendor payments to persons in mental institutions it must—</p> <p>(1) Provide for having in effect arrangements with the State mental health authority or authorities, and, where appropriate, with such institutions, including arrangements for joint planning, development of alternate methods of care, assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, allowing access to patients and facilities, furnishing information, and making reports, as may be necessary to enable the State agency to carry out its responsibilities under the State plan;</p> <p>(2) Provide for an individual plan for each patient to assure that the institutional care provided to him is in his best interests, including, to that end, assurances that there will be initial and periodic review of his medical and other needs, that he will be given appropriate medical treatment within the institution, and that there will be periodic determination of his need for continued treatment in the institution;</p> <p>(3) Provide for the development of alternate plans of care, making maximum utilization of available resources, for recipients who would otherwise need care in such institutions, including appropriate medical treatment and other assistance, for rehabilitation</p>

E. Pass along provision-----	No provision.	<p>services which are appropriate for such, and for methods of administration necessary to assure that these provisions will be effectively carried out; and</p> <p>(4) Provide methods of determining the reasonable cost of institutional care for such patients.</p> <p>And, if the State elects to provide vendor or cash payments to patients in public institutions for mental diseases, it must be shown that the State is making satisfactory progress toward developing a comprehensive mental health program, including provision for utilization of community mental health centers, nursing homes, and other alternatives to institutional care.</p> <p>Federal matching for any State for any quarter which is attributable to State or local expenditures with respect to patients in institutions for tuberculosis or mental diseases shall only be paid to extent that the State makes a showing satisfactory to the Secretary that it has increased Federal, State, and local expenditures for mental health services under public health and public welfare programs in the State over the average of such expenditures for quarters in fiscal year 1965.</p>
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**III. PROTECTIVE PAYMENTS**

A. Protective payments under old-age assistance, aid to the blind, and aid to the permanently and totally disabled, and the combined program (title XVI).	Federal financial participation as to money payments to needy persons or their legal guardians has been authorized since 1935. Vendor payments, made directly to the suppliers of medical services on behalf of recipients have been authorized by the 1950 amendments. Since 1958, payments have been authorized to be made to another person who is judicially appointed for the purpose of receiving and managing such assistance payments (whether or not he is such individual's legal representative for other purposes).	<p>Authorizes protective payments to be made to a person who is interested in or concerned with the welfare of the needy person under a State plan which provides for—</p> <p>(1) Determination by the State agency that payments in this form are necessary because the needy person has, by reason of his physical or mental condition, such inability to manage funds that making cash payments to him would be contrary to his welfare;</p> <p>(2) Special efforts to protect the welfare and improve the ability of the needy individual to manage funds;</p> <p>(3) Periodic review of the situation to determine whether such payments to an interested person are still necessary—and seeking judicial appointment of a guardian or legal representative if and when such action will serve the interests of such needy individual; and</p> <p>(4) Opportunity for a fair hearing before the State agency on the determination that payments to an interested person are necessary.</p> <p>(5) Payments which together with other income meet the individual's need in full.</p>
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**IV. OTHER CHANGES**

A. Definition of medical assistance for the aged.	The term "medical assistance for the aged" means payments of part or all of the cost of care and services (if provided in or after the 3d month before the month in which the recipient makes application for assistance) for individuals 65 years of age or older who are not recipients of old-age assistance but whose income and resources are insufficient to meet all of the cost of medical services.	Eliminates restriction upon Federal matching for recipients of old-age assistance for month they are admitted to or discharged from a medical institution, effective July 1, 1965.
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**PUBLIC ASSISTANCE—Continued**

**IV. OTHER CHANGES—Continued**

Item	Prior law	Law as amended by Public Law 89-97
<p>B. Exemption of earnings under the poverty program.</p>	<p>The Economic Opportunity Act of 1964 provides that certain amounts of income derived under titles I and II of that act may not be taken into account by State public assistance programs after June 30, 1965.</p>	<p>Provides a further grace period for State compliance with this provision so that no funds will be withheld before the 1st month after the adjournment of a State's first regular legislative session which adjourns after the date of the enactment of the Economic Opportunity Act (Aug. 20, 1964).</p>
<p>C. Administrative and Judicial Review of Administrative Actions:                      (1) Initial approval of State plan---</p>	<p>No explicit authority for review of Secretary's disapproval of a plan which is submitted by a State.</p>	<p>Sets up specific statutory procedures for review of administrative determinations: When a State submits a new plan under one of the public assistance titles, the Secretary shall make a determination within 90 days as to whether the proposal meets the applicable requirements for approval. This period may be extended by written agreement of the Secretary and the State. If the State is dissatisfied with the Secretary's determination, it may, within 60 days, petition for a reconsideration. The Secretary shall, within 30 days after receipt of the petition, set a time and place for a hearing, to begin from 20 to 60 days after the date notice of the hearing is furnished to the State, unless the Secretary and the State agree in writing upon another time. Within 60 days of the conclusion of the hearing, the Secretary shall affirm, modify, or reverse his original determinations. If the State is dissatisfied with this final determination, it may, within 60 days, appeal to the U.S. court of appeals. In the judicial proceeding, the findings of fact, by the Secretary shall be conclusive if supported by substantial evidence; if good cause shown for taking further evidence, the court may remand the case to the Secretary for this purpose. The court may affirm the action of the Secretary or set it aside, in whole or in part. The court's judgment shall be subject to review by the Supreme Court of the United States upon certiorari or certification.</p> <p>The foregoing procedures are also applicable, at the option of the State, upon submittal of any amendment of an approved State plan.</p> <p>The bill further provides that action pursuant to an initial determination of the Secretary, as therein described, shall not be stayed pending reconsideration. If the Secretary subsequently determines that his initial determination was incorrect, he shall pay forthwith in a lump sum any amounts, not otherwise already paid, which are payable to the State in accordance with the corrected determination of the Secretary on the basis of the expenditures made by the State.</p>

(2) Subsequent noncompliance-----	Under all public assistance titles the Secretary shall give reasonable notice and opportunity for hearing to a State prior to discontinuing payments under a previously approved State plan because of his finding that the plan has been so changed that it no longer complies with certain requirements of the law.	Makes final determination of the Secretary subject to judicial review in the same manner as outlined above.
(3) Audit exceptions (disallowance of specific items for Federal participation).	No specific authority for review of Secretary's disallowances.	Provides that whenever the Secretary determines that there shall be a disallowance the State shall be entitled, on request, to an administrative reconsideration of the decision.
(4) Effective date-----	-----	Effective as to determinations made after December 31, 1965.
D. Eligibility of children over age 18 for aid to families with dependent children (title IV).	States may provide aid to children 18-21 years of age who are attending a high school or a vocational or technical training course and receive federal sharing in such aid.	Amends present provision to permit federal sharing in aid to children 18-21 regularly attending a school, college, or university, or vocational or technical training course.

**MATERNAL AND CHILD HEALTH SERVICES**

**(Title V of Social Security Act)**

Item	Prior law	Law as amended by Public Law 89-97
I. Increase in authorization-----	\$40,000,000 for the fiscal year ending June 30, 1966. \$40,000,000 for the fiscal year ending June 30, 1967. \$45,000,000 each for the fiscal year ending June 30, 1968 and 1969. \$50,000,000 for the fiscal year ending June 30, 1970 and for each succeeding fiscal year thereafter.	\$45,000,000 for the fiscal year ending June 30, 1966. \$50,000,000 for the fiscal year ending June 30, 1967. \$55,000,000 each for the fiscal year ending June 30, 1968 and 1969. \$60,000,000 for the fiscal year ending June 30, 1970, and each fiscal year thereafter.
II. Provision for extension of services to children in additional parts of State.	No provision.	Requirement that after June 30, 1966, a State make a satisfactory showing that it is extending the provision of maternal and child health services with a view to making services available by July 1, 1975, to children in all parts of the State.
III. Payment of reasonable cost of inpatient hospital services.	No provision.	Requires effective July 1, 1967, payment of reasonable cost (as determined in accordance with standards approved by the Secretary and included in maternal and child health services plans) of inpatient hospital services provided under the plans.

**CRIPPLED CHILDREN'S SERVICES**

**(Title V of Social Security Act)**

Item	Prior law	Law as amended by Public Law 89-97
I. Increase in authorization-----	\$40,000,000 for the fiscal year ending June 30, 1966. \$40,000,000 for the fiscal year ending June 30, 1967. \$45,000,000 each for the fiscal year ending June 30, 1968 and 1969. \$50,000,000 for the fiscal year ending June 30, 1970 and for each succeeding fiscal year thereafter.	\$45,000,000 for the fiscal year ending June 30, 1966. \$50,000,000 for the fiscal year ending June 30, 1967. \$55,000,000 each for the fiscal year ending June 30 1968 and 1969. \$60,000,000 for the fiscal year ending June 30, 1970, and for each fiscal year thereafter.
II. Provision for extension of services to children in additional parts of State.	No provision.	Requirement that after June 30, 1966, a State make a satisfactory showing that it is extending the provision of Crippled Children's Services with a view to making services available by July 1, 1975, to children in all parts of the State.
III. Authorization for grants to institutions of higher learning for training of professional personnel.	No explicit provision.	Authorization of \$5,000,000 for fiscal year ending June 30, 1967, \$10,000,000 for fiscal year ending June 30, 1968, and \$17,500,000 for each fiscal year thereafter for grants to institutions of higher learning for training professional personnel for health and related care of crippled children particularly mentally retarded children and children with multiple handicaps.
IV. Payment of reasonable cost of inpatient hospital services.	No provision.	Requires effective July 1, 1967, payment of reasonable cost (as determined in accordance with standards approved by the Secretary and included in Crippled Children's Services plans) of inpatient hospital services provided under the plan.

## CHILD WELFARE SERVICES

### (Title V of Social Security Act)

Item	Prior law	Law as amended by Public Law 89-97
I. Increase in authorization-----	<p>\$40,000,000 for the fiscal year ending June 30, 1966.                      \$45,000,000 for the fiscal year ending June 30, 1967.                      \$45,000,000 for the fiscal year ending June 30, 1968.                      \$50,000,000 for the fiscal year ending June 30, 1969,                      and succeeding fiscal years.</p>	<p>\$45,000,000 for the fiscal year ending June 30, 1966.                      \$50,000,000 for the fiscal year ending June 30, 1967.                      \$55,000,000 for the fiscal year ending June 30, 1968.                      \$55,000,000 for the fiscal year ending June 30, 1969.                      \$60,000,000 for the fiscal year ending June 30, 1970,                      and for each fiscal year thereafter.</p>
II. Day care-----	<p><b>Earmarking:</b> From annual appropriation for child welfare services, the excess over \$25,000,000 is earmarked for support of day care activities in the States, but earmarked amount may not exceed \$10,000,000.</p> <p><b>Allotments:</b> The earmarked amount is allotted so that each State shall have an amount which bears the same ratio to the total amount earmarked as the product of (1) the population of each State (under the age of 21) and (2) the allotment percentage (based on relative per capita income) bears to the sum of the corresponding products of all the States. But any State allotments under \$10,000 shall be increased to that amount by proportionately reducing allotments to each of the remaining States.</p> <p><b>State plan requirements:</b> Provides the following requirements:</p> <p>(1) Plan must be developed jointly by the State agency and the Secretary of Health, Education, and Welfare.</p> <p>(2) Plan must provide, with respect to day care—</p> <p>(a) for arrangements with State health and public school authorities to assure maximum utilization of such agencies in the provision of health care and education to day care children;</p> <p>(b) for an advisory committee to advise the State agency on general policy relating to the provision of day care, representing public and private groups interested in day care;</p> <p>(c) for safeguards assuring that day care is provided only in cases where it is in the interest of mother and child, and where a need for it exists; and</p> <p>(d) for giving priority in determining the need for day care, to low income groups, other groups, and geographical areas with the greatest relative needs for such care. Effective July 1, 1963.</p>	<p>Deletes provision for earmarking.</p> <p>Deletes provision for allotments.</p> <p>No change.</p>

Eligible facilities: Day care which is supported under this program must be provided in facilities (including private homes) which are licensed by the State, or approved (as meeting the licensing requirements) by the State agency which is responsible for licensing this type of facility.

Made a plan requirement that day care under the plan will be provided only in facilities (including private homes) which are licensed by the State or approved as meeting standards established for licensing.

Day care amendments effective January 1, 1966.

**SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN**

**(Title V of Social Security Act)**

Item	Prior law	Law as amended by Public Law 89-97
I. Authorization-----	No provision.	<p>Authorization of \$15,000,000 for the fiscal year ending June 30, 1966, \$35,000,000 for the fiscal year ending June 30, 1967, \$40,000,000 for fiscal year ending June 30, 1968, \$45,000,000 for the fiscal year ending June 30, 1969 and \$50,000,000 for the fiscal year ending June 30, 1970, for project grants to the State health agency or with its consent the health agency of any political subdivision of the State, to the State agency administering or supervising the administration of the State crippled children's program, to schools of medicine, and to teaching hospitals affiliated with medical schools to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for health care and services for children of school age and preschool children. To be comprehensive in nature projects for children and youth of school age must include screening, diagnosis, preventive services, treatment, correction of defects, and aftercare. Projects must provide for (1) coordination with and utilization of other State and local health, welfare, and education programs for such children; (2) payment of reasonable cost of inpatient hospital services; (3) treatment, correction of defects, or aftercare to be available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control; and (4) inclusion of such screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, medical or dental, as required by the Secretary.</p>

**MISCELLANEOUS AMENDMENTS RELATING TO HEALTH CARE**

Item	Prior law	Law as amended by Public Law 89-97
I. Health Study of Resources Relating to Children's Emotional Illness.	No provision.	<p>Authorizes an appropriation of \$500,000 each for the fiscal year ending June 30, 1966, and the fiscal year ending June 30, 1967, for grants for research into and study of the resources, methods, and practices for diagnosing or preventing emotional illness in children and of treating, caring for, and rehabilitating children with emotional illness.</p>
II. Grants for mental retardation planning. (Title XVIII of the Social Security Act.)	\$2,200,000 was authorized for grants during each of fiscal 1964 and fiscal 1965.	<p>Authorizes \$2,750,000 each year for fiscal 1966 and fiscal 1967. Sums appropriated during fiscal 1966 are for grants during that year and the 2 succeeding fiscal years. Sums appropriated in fiscal 1967 are also available until June 30, 1968.</p>

# OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

## (Title II of the Social Security Act)

### I. COVERAGE

Item	Prior law	Law as amended by Public Law 89-97
<p><b>A. Self-employed</b>-----</p>	<p><i>Covers</i> all self-employed if they have net earnings from self-employment of \$400 a year except that certain types of income, including dividends, interest, sale of capital assets, and rentals from real estate (including certain rentals paid in crop shares—see item 3, “Farm operators”) are not covered unless received by dealers in real estate and securities in the course of business dealings.</p>	<p>Permits exemption from the social security self-employment tax of individuals who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of a religious sect (or division thereof) of which they are members. The exemption could be granted with respect to taxable years beginning after Dec. 31, 1950.</p> <p>The sect (or division thereof) must be one that has been in existence at all times since Dec. 31, 1950, and has for a substantial period of time been making reasonable provision for its dependent members. Before an individual could be granted exemption he would be required to waive all benefits and other payments under any insurance system established by the Social Security Act on the basis of his own earnings as well as all such benefits and other payments to him based on the earnings of any other person. The exemption could not be granted to any person who has been entitled to social security benefits, or to one whose earnings have provided the basis for entitlement to social security benefits for any other person.</p>
<p>1. Professional groups-----</p>	<p><i>Covers</i> all professional groups except physicians.</p>	<p><i>Covers</i> physicians. Effective for taxable years ending on or after Dec. 31, 1965.</p>
<p>2. Ministers-----</p>	<p><i>Covers</i> duly ordained, commissioned or licensed ministers, Christian Science practitioners, and members of religious orders (other than those who have taken a vow of poverty) serving in the United States, and those serving outside the country who are citizens and either working for U.S. employers or serving a congregation predominantly made up of U.S. citizens. Coverage is available under the self-employment coverage provisions on an individual voluntary basis regardless of whether they are employees or self-employed.</p>	<p>Extends through April 15, 1966, the period within which ministers who have been in practice at least 2 years since 1954 may file certificate electing social security coverage. Permits social security credit to be obtained for the earnings of certain ministers who die or file waiver certificates before April 16, 1966, where such earnings were reported for social security purposes but cannot be credited under present law.</p>
<p>3. Farm operators-----</p>	<p><i>Covers</i> farm operators on the same basis as other self-employed persons except that farm operators whose annual gross earnings are \$1,800 or less can report either their actual net earnings or 66⅔ percent of their gross earnings.</p> <p>Farmers whose annual gross earnings are over \$1,800 report their actual net earnings if over \$1,200, but if actual net earnings are less than \$1,200, they may report \$1,200.</p>	<p>Modifies exception so that farm operators whose annual gross earnings are \$2,400 or less can report either their actual net earnings or 66⅔ percent of their gross earnings. Farmers whose gross earnings are over \$2,400 report actual net earnings if over \$1,600, but if actual net is less than \$1,600, they may report either actual net earnings or \$1,600. Effective as to taxable years beginning after Dec. 31, 1965.</p>

	Rentals from real estate are not creditable as self-employment earnings, but if landlord under arrangements with tenant or share farmer participates materially in the production of, or in the management of, the crops or livestock on his land, the income is covered.	No change.
4. Public officials-----	<i>Excludes</i> individuals performing functions of public officials.	No change.
5. Newspaper vendors-----	<i>Covers</i> individuals over 18 who buy newspapers and magazines at one price and sell them at another regardless of whether they are guaranteed minimum compensation or may return unsold papers and magazines.	No change.
B. Employees-----	<i>Covers</i> employees including certain agent or commission drivers, life insurance salesmen, homeworkers, traveling salesmen, and officers of corporations regardless of the common-law definition of employee.	No change.
1. Agricultural workers-----	<i>Covers</i> agricultural workers who either (1) are paid \$150 or more in cash wages in a calendar year by an employer or (2) perform agricultural labor for an employer on 20 days or more during the calendar year. Workers who are recruited and paid by a crew leader shall be deemed to be employees of the crew leader if such crew leader is not, by written agreement, designated to be an employee of the owner or tenant and if such crew leader is customarily engaged in recruiting and supplying individuals to perform agricultural labor; under such circumstances the crew leader shall be deemed to be self-employed. <i>And excludes:</i> a. Mexican contract workers. b. Workers lawfully admitted to the United States from the Bahamas, Jamaica, and other islands in the British West Indies or from any other foreign country or its possessions, on a temporary basis to perform agricultural labor.	
2. Domestic workers-----	<i>Covers</i> persons performing domestic service in private nonfarm homes if they receive \$50 or more during a calendar quarter from 1 employer. Noncash remuneration is excluded. <i>Excludes</i> students performing domestic service in clubs or fraternities if enrolled and regularly attending classes at school, college, or university.	No change.
3. Casual labor-----	<i>Covers</i> cash remuneration for service not in the course of the employer's trade or business if the remuneration is \$50 or more from 1 employer during a calendar quarter.	No change.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**I. COVERAGE—Continued**

Item	Prior law	Law as amended by Public Law 89-97
<p><b>B. Employees—Continued</b>  <b>4. Cash tips-----</b></p>	<p>Tips received by employees are generally not counted as wages. While employees' tips are not mentioned in the law, regulations exclude from wages tips paid directly to an employee, and not accounted for by the employee to the employer.</p>	<p>Cash tips received after 1965 by an employee in the course of his employment are covered as wages for social security and income-tax withholding purposes, except that employers are not required to pay the social security employer tax on the tips. However, for tips to be subject to withholding for income tax or to be counted for social security purposes, the tips must be paid in cash and must amount to \$20 or more a month in work for one employer. The tips still represent compensation for income tax purposes even though less than \$20 a month or even though paid in other than cash, but are not, under either of these conditions, subject to withholding for income tax or social security tax purposes.</p> <p>The employee is required to give his employer a written report of his tips within 10 days after the end of the month in which the tips are received (or at such other times before the 10th day as is provided by regulations); to the extent that unpaid wages due an employee and in the possession of the employer are insufficient to pay the employee social security tax due on the tips, the employee will be permitted (but not required) to make available to the employer sufficient funds to pay the employee social security tax. To the extent that the employer does not have sufficient wage payments (or funds turned over to him by the employee) to offset the required withholding, he notifies the employee and the employee reports this amount to the Government directly.</p> <p>If an employee fails to report, as required by law, some or all of his covered tips to his employer, he is liable not only for the employee social security tax due on the unreported tips, but also for an additional amount equal to 50 percent of the employee tax. He pays his social security tax on these tips to the District Director of the Internal Revenue Service.</p> <p>The employer is required to withhold the employee social security tax only on tips reported to him within the specified time and for which he has sufficient funds of the employee out of which to pay the tax. He is liable for withholding income tax on only those tips that are reported to him within 10 days after the end of the month in which the tips were received, and then in general only to the extent that he can collect the tax (at or after the time the tips are reported to him and before the close of the calendar year in which the tips were received) from unpaid wages (not including tips), or from funds turned over to him for that purpose remaining after an amount equal to the amount due for the social security tax has been subtracted.</p>

5. State and local government employees.

Covers employees of State and local governments provided the individual State enters into an agreement with the Federal Government to provide such coverage, with the following special provisions:

a. States have the option of covering or excluding employees in any class of elective position, part-time position, fee-basis position, or performing emergency services.

b. Excludes the services of the following persons, specifying that they cannot be included in a State agreement and cannot, therefore, be covered:

(1) Employees on work relief projects;

(2) Patients and inmates of institutions who are employed by such institutions;

(3) Services of the types which would be excluded by the general coverage provisions of the law if they were performed for a private employer, except that agricultural and student services in this category may be covered at the option of the State.

c. Employees who are in positions covered under an existing State or local retirement system may be covered under State agreements only if a referendum is held by a secret written ballot, after not less than 90 days' notice, and if the majority of eligible employees under the retirement system vote in favor of coverage. However, employees in policemen and firemen positions under a State and local retirement system cannot be covered in the agreement. The Governor of a State or his delegate must certify that certain Social Security Act requirements under the referendum procedure have been properly carried out. In most States, all members of a retirement system (with minor exceptions) must be covered if any members are covered.

Employees of any institution of higher learning (including a junior college or a teachers' college and employees of a municipal or county hospital under a retirement system can, if the State so desires, be covered as a separate coverage group, and 1 or more political subdivisions may be considered as a separate coverage group even though its employees are under a statewide retirement system.

In addition, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees who are members or who have an option to join more than 1 State or local retirement system cannot be covered unless all such retirement systems are covered.

Individuals in positions under retirement systems on Sept. 1, 1954, are precluded from obtaining coverage under the nonretirement system coverage provisions.

Permits Iowa and North Dakota to modify their agreements to exclude services performed by students, including services already covered, in the employ of a school, college, or university in any calendar quarter if the remuneration for such services is less than \$50. The modification would specify the effective date of the exclusion, but it could not be earlier than July 30, 1965.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**I. COVERAGE—Continued**

Item	Prior law	Law as amended by Public Law 89-97
<p><b>B. Employees—Continued</b>                      5. State and local government employees—Continued</p>	<p>The 1960 amendments permit California to cover, before 1962, persons employed by a hospital in 1957, 1958, or 1959 in positions removed, after Sept. 1, 1954 and before 1960, from retirement system coverage for whom social security taxes were erroneously paid. Hospital employment before 1960 on which taxes were paid and all subsequent hospital employment of such persons could be covered.</p> <p><i>Exceptions to general law concerning coverage in named States:</i></p> <p>(1) <i>Split-system provisions.</i>—Authorizes California, Connecticut, Florida, Georgia, Hawaii, Massachusetts, Minnesota, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin, and all interstate instrumentalities, at their option, to extend coverage to the members of a State retirement system by dividing such a system into 2 divisions, 1 to be composed of those persons who desire coverage and the other of those persons who do not wish coverage, provided that new members of the retirement system coverage group are covered compulsorily. Also authorize similar treatment of political subdivision retirement systems of these States.</p> <p>Those employees covered by a divided retirement system who did not elect coverage in the original agreement, may, nevertheless elect coverage until 1963, or, if later, until 2 years after the date on which coverage was approved for the group that originally elected coverage. Also provides that the coverage of persons electing under this amendment would begin on the same date as coverage became effective for the group originally covered.</p>	<p>Would modify provision so that service of persons who were first employed in such positions after 1959 would also be covered. Upon modification of agreement by the end of 6 months following month of enactment, service performed on or after Jan. 1, 1962, would be covered. Services performed before Jan. 1, 1962, would be covered, if contribution in the proper amount was paid prior to July 30, 1965.</p> <p>Would validate the past coverage of employees of certain school districts in Alaska which have been included in error under the Alaska coverage agreement as separate political subdivisions. The employees of the school districts involved should have been covered as employees of the political subdivisions of which the school district are integral parts. Effective only for years prior to 1966.</p> <p>Adds Alaska to the list. Effective July 30, 1965.</p> <p>Extends the time in which such employees can elect to be covered until the end of 1966 (or, if later, the expiration of 2 years after the date on which coverage was approved for the group that originally elected coverage). Effective July 30, 1965.</p>

Also provides that where an individual who has chosen not to be covered under the divided retirement system provision becomes a member of a different retirement system group which has elected coverage because of the annexation of the employing political subdivision by another political subdivision, or through some other action taken by a political subdivision, such individual will continue to be excluded from coverage.

(2) *Policemen and firemen.*—Allows the States of Alabama, California, Florida, Georgia, Hawaii, Kansas, Maine, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, and Washington and all interstate instrumentalities to make coverage available to policemen and firemen in those States, subject to the same conditions that apply to coverage of other employees who are under State and local retirement systems, except that where the policemen and firemen are in a retirement system with other classes of employees the policemen and firemen may, at the option of the State, hold a separate referendum and be covered as a separate group.

(3) *Employees of unemployment compensation systems.*—Authorizes Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, and Hawaii, at their option, to cover their employees who are paid wholly or partly from Federal funds under the unemployment compensation provisions of the Social Security Act—either by themselves or with the other employees of the department of the State in which they are employed—after complying with the referendum provisions.

(4) Retirement systems in Maine (1958 amendments)—permits State of Maine until July 1, 1965, to treat teaching and nonteaching employees who are in the same retirement system as though they were under separate retirement systems for social security coverage purposes.

d. Coverage on a compulsory basis is provided for employees of certain publicly owned transportation systems.

e. *Effective date of coverage agreement.*—Allows agreements or modifications made after 1959 to begin as early as 5 years before the year in which an agreement is made, but no earlier than Jan. 1, 1956. Where a retirement system is covered as a single retirement system coverage group, permits the State to provide different beginning dates for coverage of the employees of different political subdivisions.

Covers employees of religious, charitable, educational, and other nonprofit organizations (which are exempt from income tax and are described in sec. 501(c)(3) of the Internal Revenue Code) on a voluntary basis if the employer organization certifies that it desires to extend coverage to its employees.

Employees may concur by signing a list or supplemental list which is filed within 24 months after the

No change.

No change.

Extends cutoff date to July 1, 1967.

No change.

No change.

No change.

6. Employees of nonprofit organizations.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

(Title II of the Social Security Act)—Continued

I. COVERAGE—Continued

Item	Prior law	Law as amended by Public Law 89-97
<p>B. Employees—Continued 6. Employees of nonprofit organizations—Continued</p>	<p>quarter in which the certificate is filed. Employees who do not concur in the filing of the certificate are not covered <i>except</i> that all employees hired after a certificate becomes effective are covered.</p> <p>Waiver certificate may be made effective at the option of the organization on the 1st day of the quarter in which the certificate is filed, the 1st day of the succeeding quarter, or the 1st day of any of the 4 quarters preceding the quarter in which the certificate is filed.</p> <p>Employees of nonprofit organizations who are in positions covered by State and local retirement systems and are members or eligible to become members of such systems must be treated apart from those not in such positions. Certificates must be filed separately for each group. All new employees who belong to a group for which a certificate has been filed are automatically covered, and new employees who belong to a group for which a certificate has not been filed are not covered.</p>	<p>Permits nonprofit organizations to elect coverage as early as the 1st day of the 20th calendar quarter preceding the quarter in which the certificate of waiver is filed. Gives those employees to whom additional retroactive coverage is made applicable an individual choice of such coverage. Permits the validation of certain erroneous wage reportings as to employees and former employees of nonprofit organizations. Effective July 30, 1965.</p>
<p>7. Federal employees-----</p>	<p><i>Excludes</i> employees of the United States or its instrumentalities if—</p> <ul style="list-style-type: none"> <li>a. they are covered by a retirement system established by Federal law; or</li> <li>b. they perform services— <ul style="list-style-type: none"> <li>(1) as the President, Vice President, or a Member of Congress;</li> <li>(2) in the legislative branch;</li> <li>(3) in a penal institution as an inmate;</li> <li>(4) as certain interns, student nurses, and other student employees of Federal hospitals;</li> <li>(5) as employees on a temporary basis in disaster situations;</li> <li>(6) as employees not covered by the Civil Service Retirement Act because they are subject to another retirement system (other than the retirement system of the Tennessee Valley Authority); or</li> </ul> </li> <li>c. the instrumentality has been specifically exempted by statute from the employer tax; or</li> <li>d. the instrumentality was exempt from the employer tax on December 31, 1950, and its employees are covered by its retirement system.</li> </ul> <p><i>Covers</i> the following Federal employees excepted from the exclusion in 7-d unless they are excluded on the basis of one of the other provisions:</p> <ul style="list-style-type: none"> <li>a. employees of a corporation which is wholly owned by the United States;</li> </ul>	<p>No change, except—</p> <p>Excepts from exclusion and thereby provides coverage to medical or dental interns or residents in training. Effective as to services performed after 1965.</p> <p>Extends coverage to employees of the District of Columbia not covered by any retirement system established by a law of the United States. Effective date: amendments apply to services performed after the quarter in which the Secretary of the Treasury receives a certification from the District of Columbia Commissioners that they desire coverage of these services.</p>

8. Students, interns, and nurses in schools and hospitals.	<p>b. employees of a national farm loan association, a production credit association, a Federal Reserve bank, or a Federal credit union;</p> <p>c. employees (not compensated by funds appropriated by Congress) of the post exchanges of the various armed services (including the Coast Guard) and other similar organizations at military installations;</p> <p>d. employees of a State, county, or community committee under the Production and Marketing Administration.</p> <p><i>Excludes—</i></p> <p>a. Students in the employ of a school, a college, or university if enrolled and regularly attending classes;</p> <p>b. student nurses employed by a hospital or nurses training school if enrolled and regularly attending classes;</p> <p>c. interns in the employ of a hospital if they have completed a 4-year course in an approved medical school.</p>	No change, except—
9. Newsboys-----	<p><i>Covers individuals 18 and over</i> who deliver and distribute newspapers or shopping news, but covers individual <i>under 18</i> only if they deliver or distribute such publication to points for subsequent delivery or distribution.</p>	Covered on the same basis as other employees of the same employer, effective as to service performed after 1965. No change.
10. Members of the Armed Forces-	<p><i>Covers members of the uniformed services, after December 1956, while on active duty (including active duty for training), with contributions and benefits computed on basic military pay.</i></p> <p>Noncontributory wage credits of \$160 per month are granted, in general, for each month of active service in the Armed Forces of the United States during the World War II period (Sept. 16, 1940-July 24, 1947) and during the postwar emergency period (July 25, 1947-Dec. 31, 1956).</p> <p>Extends the noncontributory wage credits to certain American citizens who, prior to Dec. 9, 1941, entered the active military or naval service of countries that, on Sept. 16, 1940, were at war with a country with which the United States was at war during World War II. Wage credits of \$160 would be provided for each month of such service performed after Sept. 15, 1940, and before July 25, 1947. To qualify for such wage credits, an individual must either have been a U.S. citizen throughout the period of his active service or have lost his U.S. citizenship solely because of his entrance into such active service. He must have resided in the United States for at least 4 years during the 5-year period ending on the day of his entrance into such active service and must have been domiciled in the United States on such day.</p>	No change.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**I. COVERAGE—Continued**

Item	Prior law	Law as amended by Public Law 89-97
<b>B. Employees—Continued</b>		
11. Railroad employees-----	Under coordination provisions contained in the Railroad Retirement Act: (1) employment under both the railroad system and the old-age and survivors insurance system is counted for purposes of survivor benefits under either system; (2) railroad employment of workers with less than 10 years of railroad service is credited under the Social Security Act and the benefits based on such employment are payable under this act; and (3) provision is made for mutual financial interchange between the 2 systems in order to place the Old-Age and Survivors Insurance and Disability Insurance Trust Funds in the same position in which they would have been if railroad service after 1936 had been counted as social security employment.	Amends section (1)(q) of the Railroad Retirement Act to provide that references to the Social Security Act in the Railroad Retirement Act will be considered to be references to the Social Security Act as amended in 1965, so that the present RR-OASDI coordination will continue to operate in all ways with respect to the Social Security Act as amended by the bill. Increases the amount of social security earnings that may be credited under the survivors provisions of the railroad retirement program to such an amount as to cause the combined total earnings to be as much as the new wage and tax base under social security—\$6,600 a year after 1965.
12. Family employment-----	<i>Excludes</i> services rendered by— (1) One spouse for another. (2) Child under 21 for his parents. (3) Parents for their children, if such services are domestic services rendered in the home of the child, or such services are not rendered in the course of the child's trade or business.	No change.
13. Employees of Communist organizations.	<i>Excludes</i> from coverage employees of any organization which is registered, or against which there is a final order of the Subversive Activities Control Board to register, under the Internal Security Act as a Communist-action, a Communist-front, or Communist infiltrated organization.	No change.

**II. PROVISIONS RELATING TO DISABILITY**

<b>A. Nature of the provisions:</b>		
1. Benefits-----	Provides monthly benefits for disabled workers meeting eligibility requirements. Benefits are computed in the same way as retirement benefits and are payable from the Federal Disability Insurance Trust Fund.	No change.
2. Disability "freeze"-----	Provides that when an individual for whom a period of disability has been established dies, or retires, on account of age or disability, his period of disability will be disregarded in determining his eligibility for benefits and in determining his average monthly wage for benefit computation purposes.	No change.

B. Eligibility requirements:

1. Definition-----
2. Entitlement to other benefits---
3. Waiting period-----
4. Termination of benefits-----
5. Insured status (work requirement).
6. Special provision for the blind---

For benefits or for the "freeze," an individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. (For purposes of the freeze only, the following specified degree of blindness is presumed disabling: Central visual acuity of 5/200 or less in the better eye with use of correcting lens. An eye in which the visual field is reduced to 5° or less concentric contraction shall be considered as having a visual acuity of 5/200 or less.) The impairment must be medically determinable and one which can be expected to be of long-continued and indefinite duration or to result in death.

Entitlement to a benefit payable on account of old age precludes entitlement to a disability insurance benefit.

An initial 6-month "waiting period" is required before disability insurance benefits will be paid. Benefits are payable for 7th month. However, benefits may be paid for the 1st full month of disability to a worker who becomes disabled within 60 months (5 years) after termination of disability insurance benefits or a period of disability.

Provides that benefits shall not be paid after the 2d month following the month in which a worker's disability ceases.

To be eligible an individual must—(1) have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the period of disability begins; (2) be fully insured.

No special provisions except disability "freeze" presumption noted above.

Eliminates the requirement that a worker's disability must be expected to be of long-continued and indefinite duration. Provides that an insured worker would be eligible for disability benefits if he has been under a disability which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 calendar months.

A person who becomes entitled before age 65 to a benefit payable on account of old age can later become entitled to disability insurance benefits. If prior benefit was a reduced benefit, disability insurance benefits would be reduced to take account of payment made for prior months.

No change.

No change.

No change except for special provision for certain blind workers. (See below.)

(a) Young workers who are blind and disabled: Establishes alternative insured status requirement under which workers disabled before age 31 are insured if not less than one-half (and not less than 6) of the quarters during the period elapsing after age 21 and up to the point of disability were quarters of coverage or, in the case of those disabled before age 24, at least one-half of the 12 quarters ending with the quarter in which disability began were quarters of coverage. To qualify for this alternative the worker would have to meet the statutory definition of blindness for the disability "freeze." (See above.) Workers will, however, have to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.

(b) Older workers who are blind and disabled: Provides that those individuals aged 55 or over who meet the statutory definition of blindness in the disability "freeze" could qualify for cash benefits on the basis of their inability to engage in their past occupation or occupations. However, their benefits would not be paid for any month in which they are actually engaging in any substantial gainful activity. Effective for benefits for September 1965, based on applications filed on or after July 1965.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**II. PROVISIONS RELATING TO DISABILITY—Continued**

Item	Prior law	Law as amended by Public Law 89-97
B. Eligibility requirements—Continued 7. Applications-----	<p>a. Provides that an individual must be under a disability when his application for a period of disability is filed.</p> <p>b. Provides that the life of an application for benefits is 3 months (9 months for disability benefits); i.e., an applicant has 3 months from the date of application to qualify for benefits before his application expires.</p>	<p>a. Eliminates the requirement that an individual must be under a disability when his application for a period of disability is filed and substitutes instead the requirement that no application for a disability determination which is filed more than 12 months after the month in which a period of disability would end shall be accepted. This amendment permits payment of benefits in those cases of extended disability which terminated before an application was filed. Payment would be made only for months of disability which fall within the period of retroactivity of the application.</p> <p>b. Extends the life of applications for social security benefits to the date of the final decision thereon by the Secretary.</p>
C. Payment for rehabilitation services-----	No applicable provision.	<p>Provides for reimbursement from social security trust funds to State vocational rehabilitation agencies for the cost of vocational rehabilitation services furnished to disability insurance beneficiaries. Total amount of the funds that may be made available for such reimbursement could not, in any year, exceed 1 percent of the social security disability benefits paid in the previous year.</p>
D. Disability determinations-----	Provides that disability determinations, including determinations that a disabled person had recovered, generally must be made by State agencies under agreements with the Social Security Administration.	No change.
E. Disability benefits offset-----	No applicable provision-----	<p>Adds a disability benefits offset provision to existing law under which the social security disability benefit for any month for which a worker is receiving a periodic workmen's compensation benefit will be reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings covered by social security prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in earnings levels.</p>

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**III. BENEFIT CATEGORIES**

A. Worker—old age-----	Full benefit payable at age 65 to fully insured retired worker. Payable at age 62 to fully insured retired worker, but on an actuarially reduced basis. Benefit is reduced by 5/8 of 1 percent for each month worker is entitled to receive a benefit before age 65—the total	No change.
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*Reduction where individual is entitled to a wife's benefit and an old-age benefit.*

**B. Wife or dependent husband**-----

reduction is 20 percent if worker begins drawing benefits at age 62. The reduced amount is permanent, continuing after worker reaches age 65.

In the case where a woman is entitled to a reduced old-age insurance benefit and at the same time or subsequently becomes entitled to a wife's benefit, the wife's benefit would be reduced by the dollar reduction which was applicable to the old-age benefit, plus the regular reduction amount on the excess of the unreduced wife's benefit over the unreduced old-age benefit.

A similar provision is applicable to men entitled to reduced benefit old-age and dependent husband's benefit.

A full benefit for a wife or dependent husband is 50 percent of spouse's primary benefit.

Full benefit paid at age 65. Payable at age 62 to a wife or dependent husband, but on an actuarially reduced basis. Benefit is reduced by  $\frac{25}{100}$  of 1 percent for each month prior to age 65. An individual who takes benefit at 62 receives 75 percent of full benefit.

**C. Widow, widower, or parent**-----

Full benefit payable at age 62 to widow, dependent widower, or surviving dependent mother or father of the insured worker.

Full benefit is 82.5 percent of deceased worker's primary benefit (75 percent each in case of 2 parents).

**D. Children**-----

A child's benefit is paid to child of the insured worker who has died, reached retirement age, or become disabled if the child is unmarried and either—

(a) Is under age 18, or

(b) Is under a disability which began before age 18.

No change.

No change.

Widows may elect an actuarially reduced benefit upon attaining age 60. Benefits will be reduced by  $\frac{1}{2}$  of 1 percent for each month she is entitled to receive a benefit prior to age 62. Thus the reduction for a widow who elects a benefit when she attains age 60 is  $13\frac{1}{2}$  percent for the 24-month period—reducing her benefit from  $82\frac{1}{2}$  percent of her husband's benefit to  $71\frac{1}{2}$  percent of his benefit.

Effective for monthly benefits for and after September 1965.

In the case of a widow who is entitled to an old-age benefit in her own right, the old-age benefit is reduced to take into account widow's benefits paid to her before age 62.

Effective for benefits for and after September 1965 on the basis of applications filed in or after July 1965.

No change as to widowers and parents.

Adds a 3d qualifying alternative:

(c) Is age 18 or over and under age 22 if he is a full-time student.

Permits a child whose benefits have terminated because he has attained age 18 to become reentitled upon filing a new application if he is a full-time student and has not attained age 22.

A wife, widow, or surviving divorced mother will not get benefits if the only child in her care has attained age 18 and is getting benefits solely because he is a student.

OLD-AGE SURVIVORS, AND DISABILITY INSURANCE—Continued

(Title II of the Social Security Act)—Continued

III. BENEFIT CATEGORIES—Continued

Item	Prior law	Law as amended by Public Law 89-97
D. Children—Continued	<p>Definition of a child based on the laws applied in determining the devolution of intestate personal property in the State in which the worker is domiciled.</p> <p>A child adopted by a worker who is already retired and getting old-age insurance benefits can become entitled to benefits without regard to whether he was dependent on the worker at the time the latter retired.</p>	<p><i>Student and institution defined:</i> A full-time student is defined as an individual who is in full-time attendance as a student at an educational institution; whether or not the student was in full-time attendance is determined by the Secretary in the light of the standards and practices of the school involved. Specifically excluded is a person who is paid by his employer while attending school at the request of his employer. Provides for benefits for any period of 4 calendar months or less in which a person does not attend school if the person shows to the satisfaction of the Secretary that he intends to continue in full-time school attendance immediately after the end of the period, or does in fact return.</p> <p>An educational institution is defined so as to permit the payment of benefits to students taking vocational or academic courses and includes all public schools, colleges, and universities and all accredited private schools, colleges, or universities. An accredited school is one approved by a State-recognized or nationally-recognized accrediting association. Also included are those nonaccredited schools, colleges, and universities whose credits are accepted, on transfer, by 3 accredited institutions on the same basis as if transferred from an accredited institution.</p> <p>Effective for January 1965 on basis of applications filed in or after July 1965.</p> <p>For children currently on rolls, no application is required.</p> <p>Includes in definition of child a child who cannot inherit his father's intestate personal property if the father had acknowledged him in writing, had been ordered by a court to contribute to his support, had been judicially decreed to be his father or had been shown by other satisfactory evidence to be his father and was living with or contributing to his support.</p> <p>Child adopted by retired worker can get benefits if (1) at the time the worker became entitled to benefits the child was living with the worker or adoption proceedings had begun (2) the adoption was completed within 2 years of the time when the worker became entitled to benefits and (3) the child had been receiving <math>\frac{1}{2}</math> of his support from the worker for the entire year before the worker filed his application for old-age insurance benefits or, if the worker had a period of disability which continued until he became entitled to old-age insurance benefits, before the beginning of the period of disability.</p>

E. Wife, husband, widow, and widower.---

A benefit of a child (based upon a deceased wage earner) will terminate upon adoption, except if by stepparent, grandparent, aunt, or uncle.

Widow's benefits are paid without regard to remarriage to an individual who dies within one year of the remarriage and is not fully insured at his death and mother's insurance benefits are paid without regard to remarriage to an individual who dies if the widow or former wife divorced is not eligible for benefits on his earnings record.

Widow's, widower's or mother's insurance benefits are not payable to a remarried spouse of a deceased worker; exception is made where the remarriage is to certain specified social security beneficiaries.

Wife, husband, widow and widower must have been married to the worker for one year to qualify for benefits; exception is made where, in the month preceding the marriage, the spouse was actually or potentially entitled to a widow's, widower's, parent's or disabled adult child's benefit under the social security program.

Divorced wife, widow.-----

Benefits are payable to a divorced woman only if she has a child of the deceased worker in her care and the child is getting benefits based on his deceased father's earnings, if she has not remarried, and if she had been getting at least  $\frac{1}{2}$  of her support from her former husband under a court order or agreement at the time of his death.

Effective for applications filed on or after July 30 1965.

Exception broadened to include adoption by child's brother or sister. Effective as to benefits for months after July 1965.

Widow's benefits are payable to an aged widow or surviving divorced wife, and mother's benefits are payable to a young widow or surviving divorced mother who is not married regardless of intervening marriages.

Benefits based on a prior spouse's earnings record are payable to widows age 60 or over and to widowers age 62 or over who remarry. The amount of the remarried widow's or widower's benefit is 50 percent of the primary insurance amount of the deceased spouse.

Exception to the one-year duration-of-marriage requirement extended to the spouse who was, in the month preceding the marriage, actually or potentially entitled to a widow's, widower's, parent's or (if over age 18) a disabled child's annuity under the Railroad Retirement Act.

Wife's or widow's benefits are payable to an aged divorced woman on her former husband's earnings if she (A) had been married to her former husband for 20 years before the divorce; (B) is not married, regardless of intervening marriages; and (C) met the following support requirement when her former husband became disabled, entitled to benefits or died: (1) She was receiving  $\frac{1}{2}$  of her support from her former husband, or (2) she was receiving substantial contributions from him pursuant to a written agreement, or (3) a court order for substantial contributions was in effect.

Payment of a wife's or widow's benefit to a divorced woman does not reduce the benefits paid to any other person on the same social security account and such wife's or widow's benefit are not reduced because of other benefits payable on the same account.

Benefits for a divorced wife or a surviving divorced wife are not terminated on account of remarriage in those cases where the remarriage is to a man getting benefits as a dependent widower or parent or as a disabled child aged 18 or over. If a divorced wife or a surviving divorced wife marries an old-age insurance beneficiary, her benefits are terminated but she is immediately eligible for wife's benefit on her new husband's account.

A wife's benefits are not terminated when the woman and her husband are divorced if the marriage has been in effect for 20 years.

The support requirements that must be met by a surviving divorced mother (termed "former wife divorced" under prior law) in order to qualify for mother's benefits based on the social security account of her deceased former husband conform to the new support requirements for aged divorced women.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**III. BENEFIT CATEGORIES—Continued**

Item	Prior law	Law as amended by Public Law 89-97
G. Dependency of husbands and widowers.	Wife must be currently insured and have provided ½ of husband's or widower's support; exception made where the husband or widower was, in the month preceding the marriage, actually or potentially entitled to widower's, parent's or disabled adult child's benefits under the social security program.	Provides an exception to the currently insured and ½ support requirements where the husband or widower was, in the month preceding the marriage, actually or potentially entitled to a widower's, parent's or (where over age 18) child's annuity under the Railroad Retirement Act. (See fully insured status, p. 64.)
H. "Transitional insured status" for certain workers, wives and widows aged 72 or over.	No provision.	
I. Time for filing proof of support and application for lump-sum death payment.	Proof of support for husband's, widower's, and parent's benefits, and applications for lump-sum death payments must be filed within a 2-year period specified in the law with an additional 2-year period allowed where there was good cause for failure to file on time.	If there is good cause for failure to file in the initial 2-year period an applicant is allowed to file at any time. Effective with respect to applications for lump-sum death payments filed in or after July 1965, and monthly benefits based on applications filed in or after such month.

**IV. BENEFIT AMOUNTS**

A. Creditable earnings-----	Maximum amount of earnings which may be credited for benefit purposes is \$4,800 a year.	Maximum amount \$6,600 beginning with 1966. No change except—
B. Average monthly wage-----	<p>In general, an individual's "average monthly wage" which determines his old-age insurance benefit amount (before reduction for retirement before age 65) is computed by dividing the total of his creditable earnings after the applicable starting date and up to the applicable closing date, by the number of months involved. Excluded from this computation are all months and all earnings in any year any part of which was included in a period of disability under the disability "freeze" (except that the months and earnings in the year in which the period of disability begins may be included if the resulting benefit would be higher).</p> <p>The average monthly wage in retirement cases is computed on the basis of a constant number of years, regardless of when, before age 22, the person started to work or when, after retirement age (62 for women, 65 for men) he files application for benefits. The number of years for a person who had at least 6 quarters of coverage after 1950 would be equal to 5 less than the number of years (excluding years in periods of disability) elapsing after 1950 or after the year in which the individual attained age 21, whichever is later, and up to the year in which the person was first eligible for old-age insurance benefits (generally the year in which he attained retirement age). In death</p>	<p>Worker may have average monthly wage computed entirely on years after 1950 regardless of whether he has 6 quarters of coverage after 1950, and his closing date is the year of attainment of age 65 (62 for women) regardless of whether he is eligible (insured) in that year.</p>

and disability cases the number of years would be determined by the date of death or disability.

In those cases where a larger benefit would result (because the individual's best earnings were in years before 1951) the number of years would be those elapsing after 1936, rather than 1950.

The earnings used in the computation would be earnings in the highest years. Earnings in years prior to attainment of age 22 or after attainment of retirement age could be used if they were higher than earnings in intervening years. The span of years could never be less than 2. Generally, the span of years to be used for the benefit computation in retirement cases could not be less than 5—the number of years that would have to be used under the prior law by people who attained retirement age in 1961.

After a person has become entitled to benefits, he may, under certain circumstances, have his "average monthly wage" recomputed if it will increase his monthly benefit:

(1) Recalculation to correct errors in original computation.

(2) 1954 work recomputation: Where an individual who has 6 quarters of coverage after 1950 returns to work after becoming entitled to benefits and earns more than \$1,200 in a year he may have his average monthly wage recomputed including such earnings. Survivors are also entitled to any increase in benefits which would result from such recomputation.

(3) Dropout recomputation: Beneficiary who became entitled to benefits prior to the amendment which allowed a dropout of 5 years of lowest earnings may have a recomputation using the dropout if he has 6 quarters of coverage after June 1953. Survivors are entitled to any increases which would result from such a recomputation.

(4) Current year recomputation: An individual becoming entitled to benefits after August 1954 may have a recomputation which will include earnings in the year he retires if such earnings were not included in the original calculation. Survivors are entitled to any increases which would result from such a recomputation.

(5) Recomputation of benefits at age 65 (the "round up"): If a reduced benefit has been withheld (most common reason would be earnings which caused benefit withholding under the retirement test) for at least 3 months (during the period of reduced benefit) a person is entitled to a recomputation at age 65 which will readjust post-65 benefits to take into account the months in which the reduced benefit was withheld.

(6) Other recomputations: Provides several recomputations of limited application.

C. Recomputations.....

Provides for automatic annual recomputation; beginning with 1965, earnings in and after the year of 1st entitlement will be taken into account regardless of whether the worker has 6 quarters of coverage after 1950, or earns over \$1,200, or files an application to have his benefits recomputed. Individuals eligible for a recomputation under prior law will be deemed to have applied for such recomputation in July 1965 or as soon thereafter as they are eligible but no later than Jan. 1, 1966 (so that the recomputation will be made automatically).

Provision also made applicable at age 62 to reduced benefits for widows who were aged 60-61 at time of claim.

**OLD-AGE SURVIVORS, AND DISABILITY INSURANCE—Continued**

**(Title II of the Social Security Act)—Continued**

**IV. BENEFIT AMOUNTS—Continued**

Item	Prior law	Law as amended by Public Law 89-97
D. Benefit formula.....	<p>The law provides a consolidated benefit table which is used in determining benefit amounts for both future beneficiaries and those now on the benefit rolls.</p> <p>Though not specifically stated in the law the formula for the primary insurance amount is, in effect, 58.85 percent of the 1st \$110 of the average monthly wage, plus 21.40 percent of the next \$290 of such wage (except that in some cases, for average monthly wages under \$85, a slightly higher amount is payable so as to fit in with the minimum benefit).</p>	<p>The benefit table is amended so as to increase all primary insurance amounts by 7 percent, with a \$4 guaranteed minimum increase.</p> <p>The benefit table is also extended to reflect the annual earnings base of \$6,600 effective in 1966. For average monthly wages above \$400, primary insurance amounts are derived by applying the benefit formula underlying the prior table and adding \$9.00, the amount of increase provided for persons with the prior maximum average monthly wage of \$400 (\$8.90) rounded to the nearest dollar.</p> <p>The formula underlying the new benefit table is approximately 62.97 percent of the 1st \$110 of the average monthly wage, plus 22.9 percent of the next \$290, plus 21.4 percent of the next \$150.</p>
E. Maximum primary insurance amount....	\$127 a month (\$400 average monthly wage).	\$168 a month (\$550 average monthly wage).
F. Minimum primary insurance amount....	\$40 a month.	\$44 per month.
G. Maximum family benefits.....	<p>Family maximum monthly benefits are set by the table and range from \$53 to \$254. Though not specifically stated in the law, the maximum family benefit shown in the benefit table is 1½ times the primary insurance amount or approximately 80 percent of the average monthly wage, whichever is larger, up to an absolute maximum of \$254—twice the maximum primary insurance amount of \$127.</p>	<p>Family maximum benefits range from \$66 to a maximum of \$368. Although not specifically stated in the law, the formula used to determine the maximum family benefit shown in col. V of the new benefit table is the larger of (a) 1½ times the primary insurance amount or (b) approximately 80 percent of the average monthly wage up to the point at which the average monthly wage is ⅔ of the maximum possible average monthly wage, plus 40 percent of the remainder. The maximum benefit payable to a family is related to the worker's average monthly wage at every average monthly wage bracket in the benefit table. The maximum payable to a family on the benefit rolls in 1965 is \$309.20 (based on an average monthly wage of \$400). At the maximum average monthly wage level, \$550 (under the \$6,600 base), the maximum family benefit is about ⅔ of the average monthly wage.</p> <p>Effective for monthly benefits beginning with January 1965; effective for lump-sum death payment where death occurs in or after July 1965.</p>
H. Lump-sum death payment.....	3 times the primary insurance amount with a statutory maximum of \$255.	No change.

*Illustrative benefits provided under prior law and under Public Law 89-97*

I. Illustrative monthly benefits:

Average monthly wage <sup>1</sup>	Old-age benefits <sup>2</sup>				Survivors benefits <sup>3</sup>				
	Worker		Man and wife		Widow aged 62, widower, or parent		Widow aged 60 <sup>4</sup>	Widow and 2 children <sup>5</sup>	
	Prior law	Public Law 89-97	Prior law	Public Law 89-97	Prior law	Public Law 89-97	Public Law 89-97	Prior law	Public Law 89-97
\$67 or less-----	\$40.00	\$44.00	\$60.00	\$66.00	\$40.00	\$44.00	\$38.20	\$60.00	\$66.00
\$100-----	59.00	63.20	88.50	94.80	48.70	52.20	45.30	88.50	94.80
\$150-----	73.00	78.20	109.50	117.30	60.30	64.60	56.00	120.00	120.00
\$200-----	84.00	89.90	126.00	134.90	69.30	74.20	64.40	161.70	161.70
\$250-----	95.00	101.70	142.50	152.60	78.40	83.90	72.80	202.50	202.50
\$300-----	105.00	112.40	157.50	168.60	86.70	92.80	80.50	236.40	240.00
\$350-----	116.00	124.20	174.00	186.30	95.70	102.50	88.90	254.10	279.60
\$400-----	127.00	135.90	190.50	203.90	104.80	112.20	97.30	254.10	306.00
\$450-----	( <sup>6</sup> )	146.00	( <sup>6</sup> )	219.00	( <sup>6</sup> )	120.50	104.50	( <sup>6</sup> )	328.00
\$500-----	( <sup>6</sup> )	157.00	( <sup>6</sup> )	235.50	( <sup>6</sup> )	129.60	112.40	( <sup>6</sup> )	348.60
\$550-----	( <sup>6</sup> )	168.00	( <sup>6</sup> )	252.00	( <sup>6</sup> )	138.60	120.20	( <sup>6</sup> )	368.00

<sup>1</sup> As defined in the law.

<sup>2</sup> Worker aged 65 or over at time of retirement, and wife age 65 or over at the time when she comes on the rolls.

<sup>3</sup> Survivor benefit amounts for a widow and 1 child or for 2 parents are the same as for a man and wife.

<sup>4</sup> No provision under prior law.

<sup>5</sup> Survivor benefit amounts for 3 children are the same as for a widow and 2 children.

<sup>6</sup> Not applicable since maximum average monthly wage possible is \$400.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**  
**(Title II of the Social Security Act)—Continued**  
**V. FULLY INSURED STATUS**

Item	Prior law	Law as amended by Public Law 89-97																																								
	<p>To be fully insured an individual must have either—</p> <p>(1) 40 quarters of coverage; or</p> <p>(2) 1 quarter of coverage (acquired at any time after 1936) for every year elapsing after 1950 (or after the year in which he attained age 21, if that was later) and up to the year of disability, death, or attainment of age 65 for men (62 for women), but with a minimum of 6 quarters of coverage; or</p> <p>(3) 6 quarters of coverage if individual died before 1951.</p>	<p>No change in regular provision (See, however, special provision for young disabled workers who are blind), but adds a new concept of—</p> <p><i>Transitional insured status worker</i>—Adds a provision for a special insured status for individuals who have attained 72 so that the 6-quarter minimum is reduced to 3 quarters. The following chart shows the “transitional” requirement for workers as compared with the regular requirement of the law:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th rowspan="2" style="text-align: center;">Year of attainment of retirement age 62 (for women) or age 65 (for men)</th> <th colspan="2" style="text-align: center;">Required quarters</th> </tr> <tr> <th style="text-align: center;">Regular</th> <th style="text-align: center;">Transitional</th> </tr> </thead> <tbody> <tr> <td>1954 and earlier.....</td> <td style="text-align: center;">6</td> <td style="text-align: center;">3</td> </tr> <tr> <td>1955.....</td> <td style="text-align: center;">6</td> <td style="text-align: center;">4</td> </tr> <tr> <td>1956.....</td> <td style="text-align: center;">6</td> <td style="text-align: center;">5</td> </tr> <tr> <td>1957.....</td> <td style="text-align: center;">6</td> <td style="text-align: center;">6</td> </tr> </tbody> </table> <p>A worker who meets the above requirements (including attainment of 72) will be paid a benefit of \$35 a month, and his wife a benefit of \$17.50 at age 72 if she has attained age 72 before 1969.</p> <p>Widow's benefits are payable at age 72 to a woman who reaches age 72 before 1969 if her husband was living when the transitional provision became effective and if he met the work requirements of the provision. A widow who reaches age 72 before 1969 but whose husband died before the transitional provision became effective can qualify if her husband had attained age 65 or died before 1957 and if he had a specified number of quarters of coverage as shown in the following table:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th rowspan="2" style="text-align: center;">Year of husband's death (or attainment of age 65, if earlier)</th> <th rowspan="2" style="text-align: center;">Quarters of coverage required under regular provision</th> <th colspan="3" style="text-align: center;">Quarters of coverage required if the widow attains age 72—</th> </tr> <tr> <th style="text-align: center;">In 1966 or before</th> <th style="text-align: center;">In 1967</th> <th style="text-align: center;">In 1968</th> </tr> </thead> <tbody> <tr> <td>1954 or before---</td> <td style="text-align: center;">6</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td>1955.....</td> <td style="text-align: center;">6</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td>1956.....</td> <td style="text-align: center;">6</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> </tr> </tbody> </table> <p>Upon attaining age 72, an eligible widow will be paid a monthly benefit of \$35.</p> <p>Effective for monthly benefits for and after September 1965.</p>	Year of attainment of retirement age 62 (for women) or age 65 (for men)	Required quarters		Regular	Transitional	1954 and earlier.....	6	3	1955.....	6	4	1956.....	6	5	1957.....	6	6	Year of husband's death (or attainment of age 65, if earlier)	Quarters of coverage required under regular provision	Quarters of coverage required if the widow attains age 72—			In 1966 or before	In 1967	In 1968	1954 or before---	6	3	4	5	1955.....	6	4	4	5	1956.....	6	5	5	5
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## VI. RETIREMENT TEST

A. Scope.....	Applies to covered as well as noncovered work.	Excludes royalties received at or after age 65 on works copyrighted or patented before age 65. Effective for taxable years beginning after 1964.
B. Test of earnings.....	Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent 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. Benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$100 nor rendered substantial services in a trade or business.	Increases the annual exempt amount from \$1,200 to \$1,500. Permits payment of full benefits to beneficiary, regardless of the amount of his annual earnings, for any month in which he does not earn wages of more than \$125, instead of more than \$100. Increases the uppermost limit of the \$1-for-\$2 "band" from \$1,700 to \$2,700, so that \$1 in benefits would be withheld for each \$2 of earnings between \$1,500 and \$2,700, with \$1-for-\$1 reductions above \$2,700. Effective for taxable years ending after 1965.
C. Age exemption.....	Benefits are not suspended because of work or earnings if beneficiary is age 72 or over.	No change.

## VII. FINANCING

A. Allocation between trust funds.....	<p>The Federal Old-Age and Survivors Insurance Trust Fund receives all tax contributions other than those allocated for the disability benefit program, from which benefits and administrative expenses are paid for the old-age and survivors insurance program.</p> <p>The Federal Disability Insurance Trust Fund receives an amount equal to ½ of 1 percent of taxable wages plus ½ of 1 percent of self-employment income, from which benefit and administrative expenses are paid for the disability insurance program.</p> <p>These funds are administered by a Board of Trustees consisting of the Secretary of the Treasury, as managing trustee, the Secretary of Labor and the Secretary of Health, Education, and Welfare, all ex officio (with the Commissioner of Social Security as Secretary).</p>	<p>The allocation to the Disability Insurance Trust Fund, for years beginning after 1965, is increased to 0.70 of 1-percent of taxable wages and 0.525 of 1-percent of taxable self-employment income.</p>
B. Maximum taxable amount.....	\$4,800 a year.	\$6,600 a year starting with 1966.
C. Tax rate for self-employed.....	Taxable years beginning in— 1966-67..... 6.2 1968 and thereafter..... 6.9	Taxable years beginning in— 1966..... 5.8 1967-68..... 5.9 1969-72..... 6.6 1973 and thereafter..... 7.0
D. OASDI tax rate for employees and employers (each).	Calendar years: 1966-67..... 4.125 1968 and thereafter..... 4.625	Calendar years: 1966..... 3.85 1967-68..... 3.9 1969-72..... 4.4 1973 and thereafter..... 4.85
E. Reimbursement of the trust funds for the cost of noncontributory military service credits.	Amounts to cover the costs incurred through June 30, 1956, were to have been appropriated to the trust funds from general revenue over the 10 fiscal years ending June 30, 1969; costs incurred after June 30, 1956, were to have been appropriated to the trust funds annually.	The trust funds are to be reimbursed by a level annual appropriation starting with fiscal year 1966 that will amortize both the accumulated backlog and the additional amounts that will accrue through fiscal year 2015, and by annual appropriations thereafter.
F. Railroad retirement tax.....	The Railroad Retirement Tax Act provides that the railroad tax will automatically adjust in the same amount, and at the same time, to any change in the OASDI tax rate after 1954.	No change, except for simplifying amendment.

**OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued**  
**(Title II of the Social Security Act)—Continued**

**VIII. MISCELLANEOUS**

Item	Prior law	Law as amended by Public Law 89-97
A. Advisory Council on Social Security----	Councils to be appointed in 1966 and every 5th year thereafter to review the financing of the program and submit reports to the Board of Trustees for inclusion in the annual Trustees' report to the Congress. Members are to represent employees and employers in equal numbers and the self-employed and the general public and can be paid up to \$50 per day.	Councils to be appointed in 1968 and every 5th year thereafter to review all aspects of the program (including the new hospital and supplementary medical insurance programs) and submit reports to the Secretary of Health, Education, and Welfare for transmittal to the Congress and the Board of Trustees. Members are to represent organizations of employees and employers in equal numbers and the self-employed and the general public and can be paid up to \$100 a day. The Board of Trustees is required to meet at least once every calendar year.
B. Board of Trustees-----	The Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund required to meet at least once every 6 months.	Requires the Secretary to furnish, at the request of a State or local agency participating in any State or local public assistance program, the most recent address in the social security records for a parent (or his most recent employer, or both) who has failed to provide support for his or her destitute child or children under age 16 who are recipients of or applicants for assistance under such public assistance program, where there is a court order for the support of the children and the information requested is to be used by the welfare agency or the court on behalf of the children.
C. Disclosure of information—Deserting parents.	No disclosure authorized except as prescribed by regulations. Under Regulation No. 1 information is furnished to agency administering AFDC program as to whereabouts of deserting parents of eligible children.	Adds a provision that under regulations to be issued by the Secretary of the Treasury, the surviving payee or payees of a joint benefit check may cash any such check which was not negotiated before one of the payees died, provided that if the amount of the check exceeds the amount due the surviving payee or payees, the excess amount shall be recovered.
D. Paying two or more members of same family.	Secretary of Health, Education, and Welfare may authorize a joint payment equal to the total benefits due to any two or more members of the same family.	In the case of underpayments where an individual dies before the completion of the payment of amounts due him and such amount at the time of his death does not exceed an amount equal to 1 month's benefit, payment is to be made to his surviving spouse who was living in the same household, or, if there is no such spouse, to the legal representative of his estate. In all other cases, the amounts due the deceased person are to be paid, as under prior law.
E. Underpayments-----	Where an error has been made resulting in an underpayment to a beneficiary who has since died, the underpayment is to be paid by increasing the subsequent benefits of others getting benefits on the same earnings record as the deceased. Since the law did not contain any provision for the disposition of underpayments in death cases where there are no subsequent benefits payable, administrative policies have been developed for settling such underpayments.	Adds a provision to permit a court which renders a decision favorable to a claimant for social security benefits to set a reasonable fee for the attorney who represented the claimant before the court. The fee cannot exceed 25 percent of the past-due benefits which result from the court's decision. The Secretary may certify for payment to the attorney, out of the total of the past-due benefits, the amount of the fee set by the court. Any attorney charging or receiving more than the fee set by the court is subject to a fine of up to \$500, imprisonment up to one year, or both.
F. Attorneys' fees-----	The Secretary may prescribe the maximum fees which an attorney or other person may charge for services performed in connection with any claim before the Secretary. Any person who charges or collects more than the permitted fee is subject to a fine of up to \$500, imprisonment up to one year, or both.	

**MEDICAL EXPENSE DEDUCTION FOR INCOME TAX PURPOSES**

Item	Prior law	Law as amended by Public Law 89-97
<p>I. Character of deduction:  A. General.....</p> <p>B. Taxpayers age 65 or over.....</p>	<p>Medical expenses are deductible from adjusted gross income and thus are allowable only if the taxpayer itemizes his deductions.</p> <p>Different, more generous rules apply if the taxpayer or his spouse is age 65 or over.</p>	<p>No change.</p> <p>All distinctions based on age of the taxpayer or his spouse are eliminated.</p>
<p>II. 3-percent and 1-percent limits.....</p>	<p>For a taxpayer under age 65 medical expenses are deductible only to the extent they exceed 3 percent of his adjusted gross income. Expenses for medicines and drugs are included in medical expenses (subject to the 3-percent limit) but only to the extent that these expenses exceed 1 percent of the taxpayer's adjusted gross income. Neither of these limits apply, however, if the taxpayer or his spouse is age 65 or over, nor do they apply with respect to a dependent parent (of the taxpayer or his spouse) who is 65 or over. Their medical expenses and the cost of drugs and medicines for them are immediately deductible.</p>	<p>Limits the deduction for medical expenses for taxpayers (or dependent parents) who are age 65 or over to amounts in excess of 3 percent of adjusted gross income and limits the amount of medicine and drug expenses which may be included in medical expenses (subject to the 3-percent limit) to costs in excess of 1 percent of adjusted gross income. (Conforms the treatment of those age 65 or over with the rules presently applicable to taxpayers and dependents under age 65.)</p>
<p>III. Medical care insurance premiums:  A. Deduction.....</p> <p>B. Definition.....</p>	<p>Premiums for "accident or health insurance" treated as a medical expense subject to the 3-percent limit (described in II above) in the case of taxpayers under age 65, or deductible immediately if taxpayer or his spouse (or a dependent parent) is 65 or over.</p> <p>The term "medical care" is defined to include amounts paid for "accident or health insurance." Although the Internal Revenue Service position is that premiums are treated as medical expenses only to the extent they relate to medical benefits, some courts have interpreted "accident or health insurance" more broadly to include in the premium amounts paid to provide indemnity for loss of life, limb, sight, or time.</p>	<p>Regardless of age of taxpayer, premiums for "insurance which constitutes medical care" are deductible as follows:</p> <p>(1) One-half of such premiums, but not more than \$150 per year is deductible immediately, and</p> <p>(2) The remaining one-half is included in medical care expenses subject to the 3-percent floor.</p> <p>The definition of "medical care" is narrowed to prevent the deduction of premiums for insurance not related to medical benefits. If the policy provides both medical and nonmedical benefits only the portion of the premium separately stated to be for medical benefits is allowable, and then only if the amount is reasonable.</p> <p>The \$3 per month premium for Supplementary Health Insurance Benefits for the Aged under part B of new title XVIII is allowable as a medical care expense.</p> <p>Makes clear that premiums for prepaid medical benefits to become effective at age 65 (payable on a level premium basis) are treated as medical care expenses if the period of prepayment covers at least 10 years (5 years if the taxpayer becomes age 65 during the period of prepayment).</p>
<p>IV. Overall limit in case of disabled taxpayers.</p>	<p>Deductions for medical expenses may not exceed \$10,000 if the taxpayer is single or if he files a separate return. On a joint return (or return of a head of household or surviving spouse) the deduction may not exceed \$20,000. But if the taxpayer or his spouse is both (a) age 65 or over, and (b) disabled, these limits are doubled to \$20,000 if one spouse qualifies and \$40,000 if both qualify.</p>	<p>All maximum limitations are repealed.</p>

**MEDICAL EXPENSE DEDUCTION FOR INCOME TAX PURPOSES—Continued**

Item	Prior Law	Law as amended by Public Law 89-97
V. Revenue impact-----	-----	Applying the 3-percent and 1-percent limits to those age 65 or over increases revenues by about \$170 million. On the other hand, the broader deduction for medical insurance premiums reduces revenues by about \$73 million. The net effect of the changes is to increase revenues by about \$97 million.
VI. Effective date-----	-----	Taxable years beginning after December 31, 1966.

