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VI. SUPPLEMENTAL VIEWS OF THE HONORABLE THOMAS B. CURTIS OF MISSOURI
SOCIAL SECURITY AMENDMENTS OF 1967

AUGUST 7, 1967.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Mills, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 12080]

The Committee on Ways and Means, to whom was referred the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.
I. PRINCIPAL PURPOSES OF THE BILL

The proposals embodied in H.R. 12080 as reported by your committee would make major improvements and reforms in the provisions of the Social Security Act relating to the old-age, survivors, and disability insurance program, the hospital and medical insurance programs, the medical assistance program, the aid to families with dependent children and child welfare programs, and the child health programs.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

First, the bill would increase social security benefits of the more than 23 million elderly and disabled people, widows and orphans receiving benefits and would improve the protection of the old-age, survivors, and disability insurance provisions of the social security program, by providing—

1. An across-the-board benefit increase of 12 1/2 percent for persons on the rolls, with a minimum monthly primary insurance amount of $50;

2. An increase in the earnings base from $6,600 to $7,600 and, reflecting the higher payments made by people at the upper earnings levels, the retirement benefit of a man 65 and his wife would be at least 50 percent of his average earnings under the social security program;

3. An increase from $35 to $40 in the special payments now provided for certain people age 72 and older who have not worked long enough to qualify for regular cash benefits;

4. An increase in the amount an individual may earn and still get full benefits;

5. New guidelines for determining when a disabled worker cannot engage in substantial gainful activities;

6. An alternative insured-status test for workers disabled before age 31;

7. Monthly cash benefits for disabled widows and disabled dependent widowers at age 50 at reduced rates;

8. A new definition of dependency for children of women workers;

9. Additional wage credits for military service; and

10. Other improvements in the social security cash benefits program.

HEALTH INSURANCE

Second, the bill would improve the health insurance benefits now provided to the aged under the medicare legislation of 1965, would

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1 Introduced by Chairman Mills at the direction of the Committee and co-sponsored by Mr. Byrnes.
extend the protection of health insurance, and would simplify administration, by providing—

(1) Coverage of additional days of hospital care;

(2) Elimination of the requirement that a physician certify to the medical necessity of admissions to general hospitals and of outpatient services;

(3) A new alternative procedure for payment of benefits provided under the supplementary medical insurance program where the patient has not paid the bill for the services;

(4) Simplified billing for hospitals by transferring coverage of outpatient hospital diagnostic services to the supplementary medical insurance program and eliminating the coinsurance provision applicable to inpatients for pathology and radiology services, and permitting hospitals to collect charges from outpatients for relatively inexpensive services (subject to final settlement in accordance with existing reimbursable cost provisions);

(5) Authority for experiments to achieve greater economy and efficiency, without reduction in quality of care, through various alternatives for reimbursement of hospitals and other providers of health services; and

(6) Other miscellaneous improvements.

FINANCING THE SOCIAL INSURANCE PROGRAM

The cost of the changes would be met through the existing financing and through an increase in the earnings base from $6,600 to $7,600 and through a small increase in the tax rates. As a result, the system would be in actuarial balance.

AID TO FAMILIES WITH DEPENDENT CHILDREN

Third, the bill would make reforms in the aid to families with dependent children programs:

(1) To give greater emphasis to getting appropriate members of families drawing aid to families with dependent children (AFDC) payments into employment and thus no longer dependent on the welfare rolls, the bill would require the States—

(a) To have plans for each adult and child 16 or over who is not in school which will stress the development of their work potential, provide basic education and vocational training, and provide day care for children of AFDC working mothers;

(b) To exempt a portion of earned income for members of the family who can work so that they will have an incentive to seek employment;

(c) To institute and strengthen community work and training programs in order to assure that they will be available to and utilized by all appropriate assistance recipients; and

(d) To modify the optional unemployed parents program to provide uniform eligibility requirements throughout the United States.

In order to enable the States to implement these requirements, the Federal Government would supply more favorable Federal matching for the services (including child welfare and day care) and training
which the States would be required to furnish under the aid to families with dependent children program. Similar matching would be provided for training, supervision, materials, and other items and services which were previously not matched by the Federal Government under the community work and training program.

(2) To aid in the reduction of illegitimate births, and to prevent the neglect, abuse, and exploitation of children, the bill would require the States—

(a) To provide family planning services that are offered on a voluntary basis in all appropriate cases;

(b) To institute protective payments to an interested person to assure that the child rather than an incompetent or irresponsible parent or relative receives the benefit of assistance, or to provide direct vendor payments where it is determined that cash payments to the parent or relative would be detrimental to the welfare of the child;

(c) To bring unsuitable home conditions of children to the attention of the courts or law enforcement agencies; to develop a program through a single organizational unit to establish paternity of illegitimate needy children (in order to get support payments from the fathers); to utilize reciprocal support arrangements with other States to enforce court support orders for deserted children; and to enter into cooperative arrangements with the court to carry out these arrangements.

In order to enable the States to carry out these requirements, Federal matching would be provided for family planning services and child welfare services under the AFDC matching formula. The bill provides more favorable Federal matching and broadens eligibility for foster care for children removed from an unsuitable home by court order. Moreover, certain requirements that have restricted the use of protective payments would be removed and vendor payments would be authorized for the first time in the cash program. Finally, a new program optional with the States would authorize dollar-for-dollar Federal matching to provide temporary assistance to meet the great variety of situations faced by needy children in families with emergencies.

To further stimulate the States to carry out these new provisions effectively, the bill would provide that the largest and most rapidly increasing recipient category in this program (children qualifying on the basis of the absence of a parent from the home) will be frozen (insofar as Federal participation is concerned) at its present proportion of the child population of the State.

CHILD WELFARE AND PUBLIC ASSISTANCE

Fourth, to expand and improve the operation of the child welfare and public assistance programs, the bill would—

(a) Increase the authorization for child welfare services and combine them administratively within State and local agencies with welfare services under the aid to families with dependent children program;

(b) Extend and expand the public assistance demonstration grant program;
(c) Initiate a program of grants to educational institutions to expand undergraduate and graduate social work training; and
(d) Provide Federal matching for essential home repairs of a limited nature for public assistance recipients.

MEDICAL ASSISTANCE (MEDI CAID)

Fifth, to modify the program of medical assistance to establish certain limits on Federal participation in the program and to add flexibility in administration, the bill would—

(a) Impose a limitation on Federal matching at an income level related to payments for families receiving aid to families with dependent children or to the per capita income of the State, if lower;
(b) Allow States a broader choice of required health services under the program;
(c) Exempt from the requirement of "comparability" for all recipients the benefits "bought-in" for the aged under the medicare supplementary medical insurance program;
(d) Allow recipients free choice of qualified providers of health services;
(e) Allow, at the option of the States, direct payments to medically needy recipients for physicians' services; and
(f) Establish an Advisory Council on Medical Assistance to advise on administration of the program.

CHILD HEALTH

Sixth, to improve programs relating to the health of mothers and children, the bill would—

(a) Consolidate separate earmarked authorizations, now in a confusing set of separate sections under the law, into three broad categories under one authorization: formula grants to States, project grants, and grants for research and training, with project authority to be assumed by the States in their formula grants and eliminated as a separate category in fiscal year 1973;
(b) Increase total authorizations by steps, with such increases directed particularly to expanded screening and treatment of children with disabling conditions, family planning, and dental health of children; and
(c) Amend the research and training authority to emphasize improved methods of delivering health care through the use of new types of personnel with varying levels of training in order to give added emphasis to the training of medical assistants and health aides and the strengthening of training at the undergraduate level.

II SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Increase in social security benefits

Your committee's bill would provide a general benefit increase of 12 1/2 percent for people on the rolls. As a result, the average monthly
benefit paid to retired workers and their wives now on the rolls would increase from $145 to $164. The minimum benefit would be increased from $44 to $50 a month. Under the bill monthly benefits would range from $50 to $159.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later. Under existing law, the benefit range for those now receiving old-age benefits is $44 to $142 a month.

The bill embodies the principle that the retirement benefit of a man age 65 and his wife should represent at least 50 percent of his average wages under the social security system. Present law provides a 46-percent income replacement for a couple if the man has paid the maximum social security taxes.

The special benefit paid to certain uninsured individuals aged 72 and over would be increased from $35 to $40 a month for a single person and from $52.50 to $60 a month for a couple.

The amount of earnings which would be subject to tax and could be used in the computation of benefits would be increased from $6,600 to $7,600 a year, effective January 1, 1968.

The $168 maximum benefit (based on average monthly earnings of $550—or a wage base of $6,600) eventually payable under present law would be increased to $189 on the basis of the same monthly earnings. The increase in the amount of earnings that can be used in the benefit computation would result in a maximum benefit of $212 (based on average monthly earnings of $633—or a wage base of $7,600) in the future. The maximum benefits payable to a family on a single earnings record would be $423.60. Of course, to qualify for the maximum benefits just outlined, a wage earner must have earned the maximum under the new wage base for a number of years in the future.

**Effective date:** The increased benefits would be first payable for the second month after the month in which the bill is enacted. It is estimated that 24.2 million people would be paid new or increased benefits for the effective month and, as a result of the benefit increase, $2.9 billion in additional benefits would be paid out in 1968. Of this amount, $52 million would be paid out of general revenues as benefits for 708,000 people over 72 who have not worked long enough to be insured under the social security program.

**Benefits to disabled widows and widowers**

Under H.R. 12080 monthly social security benefits would be payable between ages 50 and 62 to disabled widows and widowers of covered deceased workers. If benefits are first payable at age 50, they would be 50 percent of the primary insurance amount. The amount would increase on a graduated basis, depending on the age at which benefits begin, up to 82½ percent of the primary insurance amount at age 62. The reduction would continue to apply to benefits payable after age 62.

A special definition of disability that would apply to a widow and widower would also be provided. Under this definition a person would be disabled only if the disability is one that, under regulations prescribed by the Secretary of Health, Education, and Welfare, is deemed to be severe enough to preclude any gainful activity.

**Effective date:** Monthly benefits for disabled widows would be payable for the second month after the month in which the bill is enacted.
An estimated 65,000 disabled widows and widowers would be eligible for benefits on enactment and an estimated $60 million in benefits would be paid in 1968.

**Earnings limitation**

Your committee's bill would increase the amount a person may earn without having his social security benefits withheld. Under the present law, a person who earns more than $1,500 a year loses some or all of his benefits depending on how much he earns. However, he is paid benefits for any month in which he earns not more than $125. The amount a person may earn and still get all of his benefits would be increased from $1,500 to $1,680 a year. The amount to which the $1 for $2 reduction would apply would range from $1,680 to $2,880 a year rather than from $1,500 to $2,700 as current law provides. Also, the amount a person may earn in 1 month and still get full benefits for that month (regardless of how much he earns in the year) would be increased from $125 to $140.

**Effective date:** The provision would be effective for earnings in 1968 and would provide additional benefits amounting to $140 million for some 760,000 people during 1968.

**The dependency of the child on his mother**

A child would be deemed dependent on his mother under the same conditions that, under present law, a child is deemed dependent on his father. As a result, a child could become entitled to benefits if at the time his mother dies, or retires, or becomes disabled, she was either fully or currently insured. Under present law, currently insured status (coverage in six out of the last 13 quarters ending with death, retirement or disability) is required unless the mother was actually supporting the child.

**Effective date:** Children's benefits would be payable under this provision beginning with the second month after the month in which the bill is enacted. An estimated 175,000 children would become entitled to benefits at that time and an estimated $82 million in additional benefits would be payable in 1968.

**Definition of “disability”**

Reflecting your committee's concern about the rising cost of the disability insurance program and the way the definition of “disability” has been interpreted, H.R. 12080 would provide a more detailed definition of “disability.” New guidelines would be provided in the law under which a person could be determined to be disabled only if he is unable to engage in any kind of substantial gainful work which exists in the national economy even though such work does not exist in the general area in which he lives.

**Insured status for workers disabled while young**

Your committee's bill would allow a worker who becomes disabled before the age of 31 to qualify for disability insurance if he worked in one-half of the quarters between the time he is 21 and the time he is disabled, with a minimum of six quarters of coverage. This requirement would be an alternative to the present requirement that the worker must have had a total of 5 years out of the last 10 years in covered employment.
Effective date: Benefits under this provision would be payable for the second month after the month in which the bill is enacted.

It is estimated that about 100,000 people, disabled workers and their dependents, would become entitled to benefits on enactment and that $70 million in benefits would be paid in 1968.

Additional wage credits for servicemen

For social security benefit purposes, your committee's bill would provide that the pay of a person in the uniformed service would be deemed to be $100 a month more than his basic pay. The additional cost of paying the benefits resulting from this provision would be paid out of general revenues.

Effective date: The increased wage credits would be granted for service after 1967.

Coverage of clergymen

Under the present law (beginning with the 1954 amendments) clergymen and members of religious orders (except those who have taken a vow of poverty) can become covered under the social security program at their own option if the option is exercised within the first 2 years of their ministry. The committee bill would change this provision so that the services a clergyman performs in the exercise of his ministry would be covered automatically unless, within 2 years after becoming a clergyman or 2 years after the enactment of the bill, he states that he is conscientiously opposed to social security coverage on religious grounds. The services performed by a member of a religious order who has taken a vow of poverty would be covered or excluded on the same basis as services performed by clergymen.

Coverage of State and local employees

The bill would make four separate changes in the law with respect to the coverage of State and local employees.

The bill would facilitate the coverage, when coverage is extended to a retirement system coverage group under the divided retirement system provision, of persons who are in positions under the State or local retirement system but are personally ineligible for coverage under such system.

Under the bill, the services of a person who is employed on a temporary basis for certain emergency services (e.g., in time of floods) cannot be covered by social security beginning January 1, 1968. Such an exclusion is now optional with the States.

Under the bill, a State may, at its option, exclude from social security coverage election officials or election workers who are paid less than $50 in a calendar quarter.

Also, the bill would add Illinois to the list of States which may use the divided retirement system procedure for extending coverage.

Definition of “widow,” “widower,” and “stepchild”

Under your committee’s bill a widow, widower, or stepchild would be considered as such for social security purposes if the marriage existed for 9 months, in case of death in line of duty in the uniformed service, and in case of accidental death, if the marriage existed for 3 months, unless it is determined that the deceased individual could not have reasonably been expected to live for 9 months at the time the marriage
occurred. Under present law a marriage must have existed for 12 months.

**Limitation on wife's benefit**

There will be instituted a limitation on the wife's benefit of a maximum of $105 a month. The effect of this provision will not be felt until many years into the future.

**Requirements for husband's and widower's insurance benefits**

The requirement in present law that a dependent husband or widower may become entitled to social security benefits on his wife's earnings only if his wife is currently insured at the time she died, became disabled, or retired would be repealed by the bill.

**Disability benefits affected by the receipt of workmen's compensation**

A change would be made so that in reducing the social security benefits payable to a person who is also entitled to workmen's compensation, the computation of his average earnings can include earnings in excess of the annual amount taxable under social security.

**Retirement payment to retired partners**

Under your committee's bill certain partnership income of retired partners would not be taxed or credited for social security purposes. **Effective date:** Taxable years beginning after 1967.

**Underpayments**

An order of priority for the payment of benefits due to a person who has died would be provided by the bill. The benefits would be paid in the following order: (1) to his surviving spouse if she was entitled to benefits on the same earnings record as the deceased beneficiary, (2) to his child or children if they were entitled to benefits on the same earnings record as the deceased beneficiary, (3) to his parent or parents if they were entitled to benefits on the same earnings record as the beneficiary, (4) to the legal representative of the deceased beneficiary's estate, (5) to his surviving spouse not entitled to benefits on the same earnings record, and (6) to his child or children not entitled to benefits on the same earnings record.

A somewhat different procedure would be followed in the case of claims for benefits on behalf of deceased individuals under the supplementary medical insurance program. For these claims, the benefit would be payable, first, to the person who paid for the services; second, to the estate of the person; and third, to the widow and children of the individual. **Effective date:** The provision would apply to both past and future payments.

**Simplification of benefit computation**

Where wages earned before 1951 are used in the benefit computation, the bill would allow certain assumptions to be made so that the benefit could be computed by mechanical means.

**Extension of time for filing reports of earnings**

The Secretary of Health, Education, and Welfare would be authorized to grant an extension of the time in which a person may file his report of earnings for earnings test purposes if there is a valid reason
for his not filing it on time. Permission to file a late report may be
given in advance of the date on which the report is to be filed.

Penalties for failure to file timely reports of earnings

Under the present law, it is possible for a person to be penalized in
an amount in excess of the benefit that must be withheld because of
those earnings. The amendments would eliminate the possibility of
this occurring in the future.

Limitation on payment of benefits to aliens outside the United States

Under present law, an alien who is outside the United States for
6 consecutive months has his benefits withheld under certain condi­
tions. This provision would be changed so that, for purposes of the
6-month provision, an alien who is outside the United States for more
than 30 days would be considered outside the United States until he
returns to the United States for 30 consecutive days within 6 months
after he leaves the country.

An additional provision would be added so that when a person who
is not a citizen of the United States is outside the United States for 6
months or more, he could be paid benefits only if he is a citizen of a
country that provides reciprocity under its social security system for
the payment of benefits to U.S. citizens who are living outside that
country. (Payment would continue to be made under certain circum­
stances to a person who is a citizen of a country that has no generally
applicable social security system.)

Also, benefits would not be payable to an alien living in a country in
which the Treasury has suspended payments. Any amounts currently
accumulated for aliens now living in countries where payment cannot
be made would be limited to 12 monthly benefits.

Disclosure to courts of whereabouts of certain individuals

Upon request, the Social Security Administration would furnish an
appropriate court with the most recent address of a deserting father
if the court wishes the information in connection with a support or
maintenance order for a child.

Report of Board of Trustees

The date on which the annual report of the trustees of the social
security trust funds is due would be changed from March 1 to April 1.
The report would contain a separate actuarial analysis of the benefit
disbursements made from the old-age and survivors insurance trust
fund with respect to disabled beneficiaries.

Advisory Council on Social Security

The Secretary would appoint a member of the Advisory Council on
Social Security to be its chairman.

The Advisory Councils on Social Security would be appointed in
1969 and every 4th year thereafter instead of 1968 and every 5th
year thereafter as under present law.

General saving provision

Where a person becomes entitled to benefits as a result of the Social
Security Amendments of 1967, the benefit paid to any other person
on the same account would not be reduced by the family maximum
provision because the new person became entitled to benefits.
B. HEALTH INSURANCE

Creation of an Advisory Council to make recommendations concerning health insurance for disability beneficiaries

Your committee bill would require the Secretary of Health, Education, and Welfare to establish an Advisory Council to study the problems relative to including the disabled under the health insurance program, and also any special problems with regard to the costs which would be involved in such coverage. The Council is to make its report by January 1, 1969.

Increase in number of covered hospital days

The number of days of hospitalization which could be covered in a spell of illness would be increased from 90 to 120 days. However, the patient would have to pay a coinsurance amount of $20 per day for those additional days (subject to adjustment after 1968, depending on the trend of hospital costs).

Effective date: January 1, 1968.

Payment to physicians under the supplementary medical insurance program

In addition to the two methods of paying for physicians' services provided under existing law (receipted bill and assignment), the following method would be provided: A physician would be permitted to submit his itemized bill to the insurance carrier for payment. Payment would be made to him if the bill was no more than the reasonable charge for the services as determined by the carrier. If the charge was higher than the reasonable charge, the payment would go to the patient. If the physician does not wish to receive the payment himself, he may direct that payment be made to the patient. If the physician is unwilling to submit the bill to the carrier, the patient may submit the itemized bill and be paid. As under present law payment would be limited to 80 percent of the reasonable charge.

Effective date: The amendment would be effective with respect to payments for services furnished in or after January 1968.

Transfer of outpatient hospital services to the supplementary medical insurance program

Hospital outpatient diagnostic services would be covered under the supplementary medical insurance program rather than under the hospital insurance program as under present law. The effect of the change is that all hospital outpatient benefits would be covered under the supplementary medical insurance program and thus subject to the deductible ($50 a year) and coinsurance features (20 percent).

Effective date: January 1, 1968.

Requirement that a physician certify the need for hospital services

The requirement in the present law that a physician certify that an in-patient of a hospital requires hospitalization at the time the individual enters the hospital or that a patient requires hospital outpatient services would be eliminated.

Experimentation with hospital reimbursement methods

The Department of Health, Education, and Welfare would be given authority to experiment with alternative methods of reimbursing hos-
hospitals under medicare, medicaid, and the child health programs which would provide incentives to keep costs down while maintaining quality of care.

Payment for purchase of durable medical equipment
Payment for durable medical equipment needed by an individual would be made on a rental basis or a purchase basis, whichever would be more economical.

Effective date: January 1, 1968.

Blood deductibles
A unit of packed red blood cells would be treated as a pint of blood for deductible purposes under the hospital insurance program; the patient would have to replace 2 pints of blood for the first pint of blood received (rather than 1 pint as under present law) for purposes of the 3-pint deductible; and the 3-pint deductible provisions would apply to the supplementary medical insurance program as well as to the hospital insurance program.

Effective date: January 1, 1968.

Enrollment under supplementary medical insurance program
An individual who is over 65, but believes, on the basis of documentary evidence, that he has just reached age 65, would be allowed to enroll in the supplementary medical insurance program as if he had attained age 65 on the date shown in the evidence.

Effective date: Enrollments after month of enactment.

Transitional provisions for uninsured individuals under the hospital insurance program
A person who attains age 65 in 1968 could become entitled to hospital insurance benefits if he has a minimum of three quarters of coverage in 1968 (existing law requires six). The number needed in later years would increase by three in each year until the regular insured status requirement is met.

Reimbursement for civil service retirement annuitants for premium payments under the supplementary medical insurance program
Federal employee health benefit plans would be permitted to reimburse certain civil service retirement annuitants who are members of group health plans for the premium payments they make to the supplementary medical insurance program.

Effective: Upon enactment.

Appropriation to supplementary medical insurance trust fund
Whenever the transfer of general revenue funds to the supplementary medical insurance trust fund is not made at the time the enrollee contribution is made, the general revenues of the Treasury would pay, in addition to the Government share, an amount equal to the interest that would be paid had the transfer been made on time. Also, the contingency reserve now provided for 1966 and 1967 would be made available through 1969.

Health Insurance Benefits Advisory Council
The Health Insurance Benefits Advisory Council established under present law would assume the duties of the National Medical Re-
view Committee called for under present law. (The Medical Review Committee has not yet been formed.) The Health Insurance Benefits Advisory Council membership would be increased from 16 to 19 persons.

Podiatry services
The definition of a physician would be amended to include a doctor of podiatry with respect to the functions he is authorized to perform under the laws of the State in which he works. However, no payment would be made for routine foot care whether performed by a podiatrist or a medical doctor.

Effective date: January 1, 1968.

Payment for certain radiological or pathological services
The payment of full reasonable charges for radiological or pathological services furnished by physicians to hospital inpatients would be authorized. Under existing law, a 20-percent coinsurance is applicable.

Effective date: January 1, 1968.

Payment for physical therapy
Physical therapy that is furnished to an outpatient in his home or in a nursing home would be covered under the supplementary medical insurance program. The services must be provided under the supervision of a hospital.

Effective date: January 1, 1968.

Payment for portable X-ray services
Diagnostic X-rays taken in a patient's home or in a nursing home would be covered under the supplementary medical insurance program if they are provided under the supervision of a physician, and subject to health and safety regulations.

Effective date: January 1, 1968.

Study of coverage of services of health practitioners
The bill requires the Secretary of Health, Education, and Welfare to study the need for, and to make recommendations concerning, the extension of coverage under the supplementary medical insurance program to the services of additional types of personnel who engage in the independent practice of furnishing health services.

Limitation on special reduction in allowable days of inpatient hospital services
The limitation on payment of hospital insurance benefits during the first spell of illness for an individual who is an inpatient of a psychiatric or tuberculosis hospital at the time he became entitled to benefits under the hospital insurance program would be made inapplicable to benefits for hospital services furnished outside a psychiatric or tuberculosis institution if the services are not primarily for the diagnosis or treatment of mental illness or tuberculosis.

Simplified billing for outpatient hospital services
Under the bill, hospitals would be permitted, as an alternative to the present procedure, to collect small charges (of not more than $50) for outpatient hospital services from the beneficiary without submitting a bill to medicare. The payments due the hospitals would be com-
puted at intervals to assure that the hospital received its final reimbursement on a cost basis.

**Effective date: January 1, 1968.**

### C. FINANCING OF SOCIAL INSURANCE PROGRAMS

The present and proposed tax schedules are—

![Table of combined employer-employee contribution rates for different years.](image)

The hospital insurance tax rate would increase to 0.7 percent 1976-79 and to 0.8 percent 1980-86 under the bill.

Note: Maximum taxable earnings base is $6,600 under present law and $7,600 (beginning in 1968) under proposal.

### MAXIMUM TAX CONTRIBUTIONS UNDER PRESENT LAW AND UNDER COMMITTEE BILL

![Table of maximum tax contributions for different years.](image)

The amount of earnings taxed would be increased from $6,600 to $7,600 a year, effective January 1, 1968.

The portion of social security taxes that is allocated to the disability insurance trust fund would be increased from 0.70 percent of taxable wages to 0.95 percent beginning in 1968.

The supplementary medical insurance trust fund is now provided with a contingency fund for 1966 and 1967. This fund is provided as a safety measure in the early years before the trust fund has had time to build up a surplus, and it would be continued for an additional 2 years.
The estimated numbers of persons who will either receive additional benefits or receive benefits for the first time and estimated benefits are shown below:

I. Beneficiaries in current-payment status on Dec. 31, 1967, whose benefits for December (assumed to be the effective month) will be increased: 23,750,000

II. Estimated number of persons who can receive a benefit for December 1967 (assumed to be the effective month) under the OASDI program as modified by the bill but who cannot receive a benefit for December 1967 under present law: 415,000

Dependents of women workers fully but not currently insured at time of death, disability, or retirement, total: 180,000
   Children: 175,000
   Husbands and widowers: 5,000

Workers disabled before attaining age 31, and their dependents: 100,000

Disabled widows and widowers who have reached age 50: 65,000

Noninsured persons aged 72 and over:
   Persons, now public assistance recipients, who can receive a full payment: 20,000
   Persons, receiving a governmental pension, who can receive a reduced payment not exceeding $5 per month: 50,000

III. Estimated number of persons affected in 1968 by the modification of the earnings test: 780,000

Persons who can receive no benefits for 1968 under the earnings test in present law but who will receive some benefits for 1968 under the test as modified by the bill: 50,000

Persons who can receive some benefits for 1968 under the earnings test in present law but who will receive more benefits under the test as modified by the bill: 710,000

AVERAGE BENEFITS FOR SELECTED BENEFICIARY CATEGORIES IN CURRENT-PAYMENT STATUS
Dec. 31, 1967, UNDER PRESENT AND H.R. 12080

<table>
<thead>
<tr>
<th>Family groups:</th>
<th>Present Law</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired worker</td>
<td>$82</td>
<td>$92</td>
</tr>
<tr>
<td>Male retired worker</td>
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<tr>
<td>Retired worker and aged wife</td>
<td>145</td>
<td>164</td>
</tr>
<tr>
<td>Aged widow only</td>
<td>75</td>
<td>84</td>
</tr>
<tr>
<td>Widowed mother and 2 children</td>
<td>213</td>
<td>251</td>
</tr>
<tr>
<td>Disabled worker, wife, and 1 or more children</td>
<td>212</td>
<td>239</td>
</tr>
<tr>
<td>Beneficiary group: All retired workers</td>
<td>85</td>
<td>96</td>
</tr>
</tbody>
</table>
Family employment and other services

Under your committee's bill, States would be required to develop a program for each appropriate relative and dependent child which would assure, to the maximum extent possible, that each individual would enter the labor force in order to become self-sufficient. To accomplish this, the States would have to assure that each adult in the family and each child over age 16 who is not attending school is given, when appropriate, employment counseling, testing, and job training. The States would also have to provide day care services needed for the children of mothers who are determined to be able to work or take training, and to provide such other services for children which would contribute toward making the family self-sustaining.

With the aim of protecting children, States would be required to bring to the attention of appropriate court or law enforcement agencies all situations involving the neglect, abuse, or exploitation of children. They would also have to provide for the payment of protective or vendor payments in cases where it is determined that the adult relative cannot manage funds effectively for the benefit of dependent children.

Family planning services would have to be offered in all appropriate cases.

States would have to develop programs designed to reduce the incidence of illegitimate births, and to establish the paternity of illegitimate children and secure support for them.

These provisions would be effective beginning October 1, 1967, and would be mandatory on all the States beginning July 1, 1969. The Federal Government would match the services provided on an 85-percent basis prior to July 1, 1969, and on a 75-percent basis thereafter.

Community work and training programs

States would be required by your committee's bill to establish community work and training programs in every area of the State where a significant number of AFDC families live. Every adult member and child over 16 not attending school for whom it was determined that work or training is appropriate would be required to participate or face the loss of assistance. (In such instances, the States may continue the children's payments by making a protective or vendor payment.)

Only a few States have work and training programs at the present time, and then only in some areas of the State. All States would be required to have such programs by July 1, 1969. There would be Federal matching of 75 percent (85 percent prior to July 1, 1969) for training, supervision, and materials. Under present law there is no matching for these items.

Work incentives

Under the bill, each State would be required effective July 1, 1969 (optional until then), to have an earnings exemption under its program. Under this provision, the first $30 of earned family income plus one-third of earnings above that amount would be retained by the family. A family would have to fall below the usual assistance levels
to qualify initially for assistance and for the earnings exemption. Persons voluntarily quitting a job or reducing their earnings in order to qualify would not receive the exemption. The earnings of children under age 16 and those 16 to 21 attending school full time would be completely exempt.

*Needy children of unemployed fathers*

Under present law, the States can establish programs for families with dependent children based on the unemployment of a parent and receive Federal matching. The definition of unemployment is left up to the individual States. Under the bill, Federal matching would be available only for the children of unemployed fathers and the definition of unemployment would be made by the Federal Government. In addition, the fathers under these programs would be required to have had a substantial connection with the work force. That is, they must have either exhausted their unemployment compensation rights or have had a year and a half of work during a 3-year period ending in the year before assistance is granted. The assistance would not be available if the father was receiving unemployment compensation. The fathers would not be eligible under the Federal program if the father turned down work, or refused to accept training, or refused to register at the employment office. In addition, each father would have to be enrolled in a work and training program within 30 days after coming on the assistance rolls. States which now have programs for the children of unemployed parents under present law would not have to bring in any new people until July 1, 1969. However, there would be no Federal matching as to people on the rolls who do not meet the new criteria after October 1, 1967. States starting up programs in the future would have to comply with the new provisions in order to receive Federal matching funds.

*Federal payments for foster home care of dependent children.*

Your committee's bill would provide that effective July 1, 1969, States would have to provide AFDC payments for children who are placed in a foster home if in the 6 months before proceedings started in the court they would have been eligible for AFDC if they had lived in the home of a relative. The provision would be optional with the States before July 1, 1969. Under present law, children in foster care are eligible for AFDC payments only if they actually received such payments in the month they were placed in foster care. Federal matching would be available for grants up to an average of $100 a month per child.

*Emergency assistance for needy children*

Under the bill, Federal funds would be available on a 50-50 basis for cash payments, and 75 percent Federal to 25 percent State and local basis for services, to meet the costs of providing emergency assistance to dependent children and their families. The assistance would be limited to a 30-day period and no more than one 30-day period in a year would be paid for. Included among the items covered under the provisions would be the following: (1) money payments, (2) payments to purchase items needed by the family immediately (such as emergency living accommodations), (3) medical care, and (4) a wide
variety of services for the children and the family to help the family cope with various types of emergencies that may arise.

Child welfare services

Under your committee's bill, child welfare services would be moved to the section of the law which provides for the AFDC program and States would be required to furnish such services to AFDC children through a single organizational unit in the State and local agency which handles the AFDC program. The Federal Government would provide 75 percent of the cost of such services to AFDC children. The non-AFDC child welfare program would be moved from title V to title IV of the Social Security Act, and the authorization increased to $100 million for fiscal year 1969 ($45 million over the $55 million in present law) and to $110 million for each year thereafter ($60 million in present law). Research, training, or demonstration projects would be funded at levels determined by later Congresses.

Limitation on aid to families with dependent children

Under your committee's bill, the proportion of all children under age 21 who were receiving aid to families with dependent children (AFDC) in each State in January 1967, on the basis that a parent was absent from the home, could not be exceeded with Federal participation after 1967. For example, if a State had 3 percent of its minor children on AFDC in January 1967, because a parent is absent, the State would not get Federal matching payments for this group of children in excess of 3 percent of the population under 21 in 1968 or later years.

E. TITLE XIX AMENDMENTS

Limitation on Federal participation in medical assistance

Under the bill, States would be limited in setting income levels for eligibility to medicaid for which Federal matching funds would be available. The family income level for medicaid could not be higher than either (1) 1331/3 percent of the highest amount ordinarily paid to a family of the same size under the AFDC program, or (2) 1331/3 percent of the State per capita income for a family with four members (and comparable amounts for families of different size). The 1331/3 percent proportions would go into effect on July 1, 1968, except that for States which now have title XIX plans, for the period from July 1, 1968, to January 1, 1969, the proportion would be 150 percent rather than 1331/3 percent and for the period from January 1, 1969, to January 1, 1970, the proportion would be 140 percent.

Maintenance of State effort

Under the bill, States would be given additional alternatives for measuring State effort under provisions to assure that the State maintains its fiscal effort after new Federal funds become available. Maintenance of effort could be determined on the basis of money payments alone instead of money payments and medical care as under present law. Also, the current expenditure could be measured on the basis of a full fiscal year rather than a quarter. In addition, child welfare expenditures could be included in the determination either with money payments alone or with money payments and medical assistance.
Coordination of title XIX and the supplementary medical insurance program

Under the bill, States would have until January 1, 1970 (rather than Jan. 1, 1968, as under present law), to buy-in title XVIII supplementary medical insurance for persons eligible for medicaid. Also, the bill would allow people who are eligible for medicaid but who do not receive cash assistance to be included in the group for which the State can purchase such coverage and would make persons who first go on the medicaid rolls after 1967 eligible to be bought in for. There would be no Federal matching toward the State's share of the premium in such cases. The bill would provide that Federal matching amounts would not be available to States for services which could have been covered under the supplementary medical insurance programs but were not.

Modification of comparability provisions

Under the bill, States would not have to include in medicaid coverage for recipients less than 65 years old the same items which the aged receive under the supplementary medical insurance program which is furnished to them under the buy-in provisions discussed above.

Required services under State medicaid programs

Under present law, the States are required to include five named types of coverage effective with July 1, 1967. Under the bill, this provision would be made less restrictive, allowing the States to have either any seven of 14 named benefits in the law, or the five types of benefits now required.

Extent of Federal financial participation in State administrative expenses

Under H.R. 12080, States would be able to get the same 75-percent Federal matching for physicians and other professional medical personnel working on the medicaid program in the State health agencies which they now get when such personnel work in the “single State agency,” usually the public assistance agency. Under present law, the matching is 50 percent in such cases.

Advisory Council on Medical Assistance

Under the bill, an Advisory Council on Medical Assistance, consisting of 21 persons from outside the Government, would be established to advise the Secretary of Health, Education, and Welfare in matters of administration of the medicaid program.

Free choice for persons eligible for medicaid

Your committee's bill would provide that effective July 1, 1969 (July 1, 1972, for Puerto Rico, the Virgin Islands, and Guam), people covered under the medicaid program would have free choice of qualified medical facilities and practitioners.

Use of State agencies to assist health facilities to participate in the various health programs under the Social Security Act

Under the bill, States could receive 75-percent Federal matching for the services which State health agencies perform in helping health facilities to qualify for participation in the various health programs under the Social Security Act (including medicare, medicaid, and the child health programs) and to improve their fiscal records for payment.
purposes. Similar provisions in the medicare program (which finances such services on a 100-percent basis from the Federal hospital insurance trust fund) would be repealed effective July 1, 1969, when this provision would go into effect.

**Payments for services and care by a third party**

Under the bill, States would have to take steps to assure that the medical expenses of a person covered under the medicare program which a third party had a legal obligation to pay would not be paid or if liability is later determined that steps will be taken to secure reimbursement.

*Effective date:* January 1, 1968.

**Payments to patients under medicaid**

At the option of the States, medicaid recipients who are not also cash assistance recipients (those who are medically needy) could receive reimbursement directly for physicians' services on the basis of an itemized bill, paid or unpaid.

*Effective date:* Upon enactment.

**F. OTHER PUBLIC ASSISTANCE AMENDMENTS**

**Federal payments for repairs to homes of assistance recipients**

Under the bill States would get 50-percent matching payments to meet the cost (not to exceed $500) of repairing the home of an assistance recipient if the home could not be occupied, and the cost of rental quarters would exceed the cost of repairs.

*Effective date:* October 1, 1967.

**Limitation on Federal matching for Puerto Rico, Guam, and Virgin Islands**

Under your committee's bill the dollar limit for Federal financial participation in public assistance for Puerto Rico would be raised from the present $9.8 million to $12.5 million for 1968, $15 million for 1969, $18 million for 1970, $21 million for 1971 and $24 million for 1972 and thereafter. Up to an additional $2 million could be certified for family planning services and expenses to support community work and training programs.

Under medicaid an overall dollar limit of $20 million would be imposed (in lieu of the limitation made applicable to the States by the bill) and the ratio of Federal matching would be changed from 55 percent to 50 percent.

Proportionate increases in the dollar maximums for Guam and the Virgin Islands would be made.

**Social work manpower and training**

The bill would authorize $5 million for the fiscal year ending June 30, 1969, and for each of the 3 following years, for grants to colleges and universities to build up programs for training social workers. At least one-half of the amount appropriated each year would have to be used for undergraduate training.

**Permanent authority to support demonstration projects**

The amount of Federal funds to support public assistance demonstration projects would be increased from $2 million a year to $4 million and made permanent.
G. Child Health Amendments

Consolidation of earmarked authorizations

In place of a number of separate earmarked authorizations in present law, the bill consolidates all authorizations into one single authorization with three broad categories. Beginning with fiscal year 1969, 50 percent of the total authorization will be for formula grants, 40 percent will be for project grants, and 10 percent will be for research and training. By July 1972 the States will be expected to take over the responsibility for the project grants, and 90 percent of the total authorization will go to the States as formula grants. Total authorizations will increase by steps from $250 million in 1969 to $350 million in 1973 and thereafter.

Additional requirements on the States under the formula grant program

The bill requires that State plans provide for the early identification and treatment of crippled children. Title XIX is amended to conform to this requirement. The States must also devote special attention to family planning services and dental care for children in the development of demonstration services.

Project grants

Until July 1972, the bill authorizes project grants (1) to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing, and to help reduce infant and maternal mortality; (2) to promote the health of children and youth of school and preschool age; and (3) to provide dental care and services to children. Beginning July 1972, responsibility for these projects will be transferred to the States.

The fiscal year 1968 authorization for maternity and infant care special projects grants would be increased from $30 to $35 million.

Research and training

The bill broadens the training authorization to include training for the health care of mothers and children and to give priority to undergraduate training. The research authority is amended to emphasize projects to study the use of health personnel with varying levels of training in the delivery of comprehensive maternal and child health services.

III. General Discussion of the Bill

A. General Discussion of Old-Age, Survivors, Disability, and Health Insurance Provisions

1. Increase in OASDI benefits

Your committee believes that if the social security program is to continue to fulfill its vital role in the Nation’s economy, it should be realistically reappraised by the Congress from time to time in the light of the changes which occur within the economy. Periodic review has been a basic characteristic of the program from its inception.

Your committee is recommending a 12½ percent across-the-board benefit increase for those now on the rolls.
In developing this recommendation, your committee has carefully studied the matter of wage-replacement upon retirement, disability or death of the wage-earner and has sought to establish a reasonable relationship between former wages and benefits. Thus, the bill embodies the principle that the retirement benefit for a man age 65 and his wife should represent at least 50 percent of his average wages under the social security system.

Your committee's decision with respect to the recommended benefit increase takes into account the fact that wage levels have risen by about 10 percent and the consumer price index has risen by about 7 percent since the level of benefits was last adjusted in 1965.

In considering the level of benefits under the social security program a number of facts are pertinent. Today, universal social security coverage has been nearly reached. More than 90 percent of the people who are employed are earning future social security retirement protection. Ninety-two percent of the people currently reaching age 65 are eligible for cash benefits; 87 percent of the people aged 25-64 have protection in the event of long-term disability; and 95 percent of all children under age 18 and their mothers have survivorship protection.

According to Social Security Administration studies, social security benefits are virtually the sole reliance of about half the beneficiaries and the major reliance for most beneficiaries. Thus, the level at which social security benefits are set determines in large measure the basic economic well-being of the majority of the Nation's older people.

The determination at any given time of the appropriate level of social security benefits is a difficult task. Your committee is constrained to take into account not only the immediate effect on the economic well-being of the aged, disabled people, widows, and orphans which will result from an increase in social security benefits, but also the immediate effect on the economic situation of workers, of employers, and of the Nation as a whole. Of equal importance is the recognition which must be given to the fact that the social security program is a long-range program which taxes today's workers on current earnings, and provides for benefits in the future. Within this matrix, it is necessary to provide as nearly adequate benefits as possible for those who are now receiving them as well as to make advance provision for as nearly adequate benefits as can be foreseen for today's workers who, together with their employers, are the current payers of social security taxes.

Monthly benefits for retired workers now on the social security rolls who began to draw benefits at age 65, or later, now range from $44 to $142, and the benefits for disabled workers now range from $44 to $152; under the bill, these benefits would range from $50 to $159.80 for retired workers, and from $50 to $151 for disabled workers. The benefit amount payable to workers with average monthly earnings of $550 ($6,600 earnings base), the highest possible under present law, would be increased from $108 to $189. For a survivor family consisting of a widow and two or more children getting benefits on the basis of $550 of average monthly earnings (maximum wages under a $6,600 earnings base) total monthly benefits of $391.20 would be payable rather than $368 now payable.

In the future, the higher creditable earnings resulting from the increase in the earnings base (to $7,600) would make possible benefits
that are more reasonably related to the actual earnings of workers at
the higher earnings levels. If the base were to remain unchanged, more
and more workers would have earnings above the creditable amount
and these workers would have benefit protection related to a smaller
and smaller part of their full earnings. Such a static situation might
eventually mean that the program would provide a flat benefit unre­
lated to total earnings because almost everyone would be earning at the
maximum creditable amount. In 1968, the present $6,600 base would
mean that only a little over one-half of regularly employed men would
get social security credit for their full earnings; under the proposed
$7,600 base, it is estimated that about two-thirds of all regularly em­
ployed men would have their full earnings counted toward benefits.

While the ultimate maximum benefit would not be payable to a man
retiring at age 65 until the year 2006, survivorship and disability pro­
tection would be more quickly increased for all those earning above
$6,600. For example, where a worker aged 35 in 1967 with annual
earnings of $7,600 died in 1970, his widow and child would receive a
monthly benefit of $255 or $34.40 (15 percent) more than is provided
now. And his widow at age 62 would get a monthly benefit of $140.20 or
$18.90 (15 percent) a month more than under present law. If the
worker became disabled in 1970, he would get a monthly disability
benefit of $169.90, an increase of $22.90 (15 percent) a month over the
amount he would get under present law.

ILLUSTRATIVE MONTHLY BENEFITS PAYABLE UNDER PRESENT LAW AND UNDER THE COMMITTEE’S
BILL ARE SHOWN IN THE FOLLOWING TABLE

<table>
<thead>
<tr>
<th>Average monthly earnings</th>
<th>Worker 1</th>
<th>Man and wife 1 1</th>
<th>Widow, widower, or parent, age 62</th>
<th>Widow and 2 children</th>
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</thead>
<tbody>
<tr>
<td>Present law</td>
<td>Bill</td>
<td>Present law</td>
<td>Bill</td>
<td>Present law</td>
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<tr>
<td>$67</td>
<td>$44.00</td>
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</tr>
<tr>
<td>550</td>
<td>163.40</td>
<td>163.40</td>
<td>288.00</td>
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<tr>
<td>633</td>
<td>(4)</td>
<td>212.00</td>
<td>(4)</td>
<td>(4)</td>
</tr>
</tbody>
</table>

1 For a worker who is disabled or who is age 65 or older at the time of retirement and a wife age 65 or older at the time
when she comes on the rolls.
2 Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife,
except that the total benefits would always equal 150 percent of the worker’s primary insurance amount; it would not be
limited to $317.
3 For families already on the benefit rolls 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.
4 Not applicable, since the highest possible average earnings amount is $350.

In establishing the benefit levels, it was necessary for your commit­
tee to consider not only benefit levels but also earnings levels and other
factors. It was the committee’s judgment that when all factors were
taken in conjunction, the benefit for a couple which is based on the
maximum credited earnings ought to be approximately 50 percent of
the average earnings of the worker, with an appropriate increase in
the percentage as the earnings fell below the maximum, until benefits
reached what in the light of existing conditions seemed to be an appro­
priate minimum benefit.

Unfortunately, your committee could discover no definitive guide
for determining what the level of the minimum benefits should be. At
this time, a $50 minimum appears appropriate to the continuation of a wage-related system.

In keeping with the decision that the benefit to a couple at the highest earnings level ought to be approximately 50 percent of the worker's average earnings, your committee recommends that the wife's insurance benefit ultimately be limited to $105 a month. However, it should be pointed out that this provision will generally have no practical effect until many years hence when the maximum benefits payable under the bill will become payable to men who retire in that year. The following table compares the relationship of wages to a couple's benefit under existing law and your committee's bill:

### BENEFITS PAYABLE TO A COUPLE BOTH OF WHOM ARE AGE 65 OR OLDER AT SELECTED AVERAGE MONTHLY EARNINGS LEVELS UNDER PRESENT LAW AND UNDER H.R. 12080

<table>
<thead>
<tr>
<th>Average monthly earnings</th>
<th>Couple's benefit Present law</th>
<th>Proposal</th>
<th>Percent of average monthly earnings Present law</th>
<th>Proposal</th>
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<tr>
<td>$67</td>
<td>$66.00</td>
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<tr>
<td>633</td>
<td>317.00</td>
<td></td>
<td>50.1</td>
<td></td>
</tr>
</tbody>
</table>

1. Highest AME on which minimum benefit is payable.
2. Maximum AME under present law.
3. Maximum AME under $7,000 earnings base.

The benefit increase would be effective beginning with benefits for the second month after the month of enactment of the bill and would apply to lump-sum death payments in the case of deaths in or after the second month after enactment.

An estimated $2.8 billion in additional benefits would be paid in calendar year 1968 as a result of the benefit increase to insured persons.

### 2. Increase in special payments to certain individuals age 72 and older

Under the 1965 amendments to the social security law special monthly payments ($35 a month for a worker or a widow, $17.50 for a wife) were provided for certain people age 72 and older on the basis of less work than is needed to qualify for regular cash benefits. The cost of the payments under this provision is met out of the old-age and survivors insurance trust fund.

Special monthly payments in the same amount were also provided, under an amendment to the law enacted in 1966, for certain people age 72 and older who have never worked or who have earned credit for only a small amount of work under the social security program, and who did not qualify for payments under the 1965 amendments. Payments made under the 1966 amendments are reduced by the amount of any pension, retirement benefit, or annuity that a person is receiving under any other governmental pension system. In addition, the special payment is suspended for any month for which the beneficiary gets payments under a federally aided public assistance program. The cost of the payments under this provision is met out of general revenues.
Under the bill, the payments under both of these special transitional provisions would be increased from $35 to $40 (from $52.50 to $60 for an eligible couple). As a result, about 70,000 people who do not now get the special payments under this provision would qualify for some payments and about 832,000 would qualify for higher payments under this provision. An estimated $50 million in additional payments would be paid out during calendar year 1968; about $52 million of this amount would be paid from general revenues.

3. The retirement test

While the overall effect of the present retirement test provides generally satisfactory results, it still permits a person to have substantial earnings in part of the year and to receive substantial social security benefits in the remainder of the year. In the course of its deliberations your committee asked the Social Security Administration to give further and more intensive study to this problem. Therefore, your committee is recommending only minimal changes—changes needed to adjust the test to changes in the economic situation since the last change was made in the test.

Under present law if a beneficiary earns more than $1,500 in a year benefits are withheld on a sliding scale—$1 less in benefits is payable for each $2 of earnings between $1,500 and $2,700, and for each $1 of earnings above $2,700. Full benefits are payable, though, regardless of annual earnings, for any month in which the beneficiary neither works for wages of more than $125 nor renders substantial services in self-employment. Under the bill a beneficiary would receive the full amount of his benefits if he had annual earnings up to $1,680, rather than $1,500 as now provided. As under present law, his benefit would be reduced by $1 for each $2 of earnings for the first $1,200 above the exempt amount (between $1,680 and $2,880 rather than between $1,500 and $2,700), and for each $1 of wages thereafter. The bill would increase from $125 to $140 the amount of earnings that a beneficiary can have in a given month and still get full benefits for that month.

The proposed change, in combination with the benefit increase that the bill would provide, would make possible an increase in annual income for the many beneficiaries who are able to work.

These changes would be effective for taxable years ending after 1967. About $140 million would be paid out in additional benefits to 760,000 people in 1968.

4. Amendments to disability program

(a) Benefits for disabled widows and widowers.—Your committee's bill would provide social security benefits for certain totally disabled widows (including surviving divorced wives) and totally disabled dependent widowers who are not old enough to qualify for the benefits now provided for aged widows and dependent widowers. Present law does not provide social security benefits for widows and widowers on the basis of disability. Widows and dependent widowers can receive benefits beginning at age 62 (or at age 60 in the case of a widow who chooses to receive a reduced benefit); a widow can receive mother's benefits at any age if she has in her care a child of the deceased wage earner who is entitled to benefits. Your committee believes
that there is a need to provide monthly benefits for the severely disabled widow in her fifties who cannot qualify for widow's or mother's benefits under present law. The widows and widowers for whom benefits would be provided are unable to support themselves by working.

The bill would provide reduced monthly benefits beginning no earlier than age 50 for widows and dependent widowers who become totally disabled before, or within 7 years after, the spouse's death or, in the case of a widow, before or within 7 years after the end of her entitlement to mother's benefits. This 7-year period would protect the widows and widowers until they have a reasonable opportunity to meet the insured-status requirements for disability benefits based on their own work, including the requirement of a minimum of about 5 years of covered work out of the 10 years preceding disablement.

The monthly benefit now payable to a widow or widower at age 62 is equal to 82 1/2 percent of the deceased spouse's primary insurance amount. Under the bill, a disabled widow or widower entitled to benefits beginning at age 50 would receive a monthly benefit amounting to 50 percent of the deceased spouse's primary insurance amount. Where entitlement to disabled widow's or widower's benefits begins at a later age the monthly benefit amount would range from 50 percent to 82 1/2 percent of the primary insurance amount, depending on the age at which the widow or widower became entitled. The reduction formula in the bill would result in paying a disabled widow 71 1/2 percent of the primary insurance amount at age 60—the same proportion that is received under present law by the widow who takes actuarially reduced aged widow's benefits at that age. Unlike widow's benefits, widower's benefits are payable at age 62 rather than at age 60; therefore the formula for widower's benefits would be such that a disabled widower would be paid 82 1/2 percent of his spouse's primary insurance amount at age 62—the same proportion that a widow or widower receives at that age.

Under your committee's bill, a new test of disability which is more strict than the definition which applies to workers would be provided for purposes of widow's and widower's benefits. This new test is discussed in the statement on "The Definition of Disability."

The provision for benefits for disabled widows and widowers would be applicable not only prospectively but also in the case of people who have already met the conditions proposed for entitlement to benefits, and would be effective with respect to benefits for the second month after the month of enactment. About 65,000 totally disabled widows and widowers under age 62 would immediately become eligible for cash benefits. About $60 million in additional benefits would be paid out during 1968.

(b) Alternative disability insured-status requirement for workers disabled before age 31

Your committee's bill would extend social security disability protection to additional totally disabled young workers and their families by providing an alternative to the present requirements that such workers must meet in order to be insured for social security disability protection. To be insured for disability protection under present law, a disabled worker (other than certain blind people) must have at least 20 quarters of coverage (about 5 years of covered work) out of the 40
calendar quarters preceding disablement, in addition to meeting a requirement of previous covered work that is comparable to the insured-status requirement for old-age insurance benefits. The 20-out-of-40 requirement—a test of substantial recent covered employment—provides some assurance that social security disability protection will be related to loss of earnings on account of disability. The requirement thus serves an important purpose and is reasonable as a general test of substantial recent employment.

Your committee believes, however, that a less restrictive employment test is necessary in the case of a worker disabled early in his working life who may not have had an adequate opportunity to earn 20 quarters of coverage. The merit of providing an alternative employment test for the young disabled workers has already received some recognition from the Congress, through the enactment in 1965 of an alternative test for workers disabled because of blindness before age 31. Your committee's bill would extend the alternative employment test which now applies to the blind to all workers who become totally disabled before age 31.

Under the bill, a disabled worker (regardless of the cause of his disability) would be insured for social security disability protection if (1) he has quarters of coverage in at least half of the calendar quarters elapsing after he attains age 21 and up to and including the quarter in which he becomes disabled, with a minimum of six quarters of coverage, or (2) if disabled before age 24, he has quarters of coverage in half of the 12 quarters ending with the quarter of disablement. If disability begins after age 31, the generally applicable employment test in present law would remain applicable.

This amendment, which would be effective with respect to benefits for the second month after enactment, would provide social security disability protection for the significant number of younger workers, and their families, who may become disabled before they are old enough to have worked long enough to meet the work requirement in present law. It would be applicable not only prospectively but also to workers who have in the past become totally disabled before age 31, and on enactment would provide monthly payments to about 100,000 people—disabled workers and their dependents—immediately upon enactment. About $70 million would be paid out in 1968 under this proposal.

(c) Increase in allocation to the disability insurance trust fund

The bill would provide for an increase in the allocation of contribution income to the disability insurance trust fund. Beginning in 1968 an additional 0.25 percent of taxable wages and 0.1875 percent of self-employment income would be allocated to the trust fund, bringing the total allocation to 0.95 percent of taxable wages and 0.7125 percent of taxable self-employment income. (Under present law, 0.70 percent of taxable wages and 0.525 percent of taxable self-employment income are allocated to the disability insurance trust fund.)

This increase would take into account not only the increased cost of the disability insurance provisions due to the benefit increases provided by the bill and to the additional young disabled workers and their dependents who would be eligible for benefits under the bill, but
also the larger than anticipated numbers of disabled people who have become entitled to benefits in the past four years.

The effect of this reallocation, along with the other provisions of the bill, would be that the disability insurance trust fund would be in exact actuarial balance.

(d) The definition of disability

The present law defines disability (except for certain cases of blindness) as the "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."

Your committee has become concerned with the way this definition has been interpreted by the courts and the effects their interpretations have had and might have in the future on the administration of the disability program by the Social Security Administration. The allocation to the disability trust fund has increased from 0.50 percent of payroll in 1956 to 0.70 percent today, and will be increased to 0.95 percent by your committee's bill. In 1965 this committee recommended, and the Congress adopted, an increase in the social security taxes allocated to the disability insurance trust fund; a large part of which was needed to meet an actuarial deficiency of 0.13 percent in the system. Again this year the Administration has come to the committee asking for an increase in the taxes allocated to that fund to meet an even larger actuarial deficiency, which has reduced the 0.03 percent surplus, estimated after the 1965 amendments, to a 0.15 percent deficiency. The committee's studies indicate that over the past few years the rising cost of the disability insurance program is related, along with other factors, to the way in which the definition of disability has been interpreted. Your committee therefore includes in its bill more precise guidelines that are to be used in determining the degree of disability which must exist in order to qualify for disability insurance benefits.

In arriving at its conclusion that the definition of disability has been eroded over a period of time, the committee observed that the last longrange projection prepared by the Social Security Administration showed a significant increase in the proportion of the population becoming disabled within the definition. Moreover, it appears that the increase was not due to changes in actuarial methods or to changes in the actuarial interpretation of past experience; rather it was the experience itself that changed. Over the last 4 years the number of disability allowances was larger than the number estimated. Because there is no evidence to indicate that the proportion of the disabled in the country is greater now than 4 years ago, the committee is forced to conclude that over a period of years a number of subtle changes may have occurred in the concept of the "disabled worker."

The Social Security Administration informed your committee that in large part the reasons why a larger number of people than anticipated have become entitled to disability benefits are:

1. Greater knowledge of the protection available under the program to increased numbers of qualified people applying for benefits;
2. Improved methods of developing evidence of disability;
(3) More effective ways of assessing the total impact of an individual's impairment on his ability to work.

Your committee has also learned that there is a growing body of court interpretations of the statute which, if followed in the administration of the disability provisions, could result in substantial further increases in costs in the future.

The idea that the concept of the disabled worker has changed over time is given substance by a reading of some of the court decisions on the subject. As one court pointed out, by quoting another court, "once the claimant has shown inability to perform his usual vocation, the burden falls upon the Secretary to show the [reasonable] availability of suitable positions." In another case the court observed that "disability includes physical or mental impairment which not only prevents one from obtaining a job, but from even being considered for it by reason of hiring practices and policies." In summing up its interpretation of the statute and the case law, one court said:

The standard which emerges from these decisions in our circuit and elsewhere is a practical one: whether there is a reasonably firm basis for thinking that this particular claimant can obtain a job within a reasonably circumscribed labor market.

When asked about the court decisions, the Social Security Administration summarized developments in the courts in some jurisdictions as—

1. An increasing tendency to put the burden of proof on the Government to identify jobs for which the individual might have a reasonable opportunity to be hired, rather than ascertaining whether jobs exist in the economy which he can do. Claims are sometimes allowed by the courts where the reason a claimant has not been able to get a job is that employers having jobs he can do, prefer to avoid what they view as a risk in hiring a person having an impairment even though the impairment is not such as to render the person incapable of doing the job available.

2. A narrowing of the geographic area in which the jobs the person can do must exist, by reversing the Department's denial in cases in which it has not been shown that jobs the claimant can do exist within a reasonable commuting distance of his home, rather than in the economy in general.

3. The question of the kind of medical evidence necessary to establish the existence and severity of an impairment, and how conflicting medical opinions and evidence are to be resolved.

4. While there have heretofore been no major differences by or among the courts on the issue of disability when the claimant was performing work at a level which the Secretary under the regulations had determined to be substantial gainful activity, this issue was recently highlighted and publicized in the case of Leftwich v. Gardner. The Fourth Circuit Court of Appeals in this case held that the claimant was under a disability despite his demonstrated work performance considered by the Secretary to be substantial gainful activity.

Your committee instructs the Social Security Administration to report immediately to the Congress on future trends of judicial inter-
pretation of this nature. As a remedy for the situation which has developed, your committee's bill would provide guidelines to reemphasize the predominant importance of medical factors in the disability determination.

The original provision was designed to provide disability insurance benefits to workers who are so severely disabled that they are unable to engage in any substantial gainful activity. In most cases the decision that an individual is disabled can be made solely on the basis that his impairment or impairments are of a level of severity (as determined by the Secretary) to be sufficient so that, in the absence of an actual demonstration of ability to engage in substantial gainful activity, it may be presumed that he is unable to so engage because of the impairment or impairments. The language proposed to be added to the statute specifies the requirements that must be met in order to establish inability to engage in any substantial gainful activity for insured workers (and certain adults disabled in childhood) whose impairments are not of the level of severity that such a presumption can be made regardless of the age, education, and previous experience of the particular individual. The language added by the bill would provide: that such an individual would be disabled only if it is shown that he has a severe medically determinable physical or medical impairment or impairments; that if, despite his impairment or impairments, an individual still can do his previous work, he is not under a disability; and that if, considering the severity of his impairment together with his age, education, and experience, he has the ability to engage in some other type of substantial gainful work that exists in the national economy even through he can no longer do his previous work, he also is not under a disability regardless of whether or not such work exists in the general area in which he lives or whether he would be hired to do such work. It is not intended, however, that a type of job which exists only in very limited numbers or in relatively few geographic locations would be considered as existing in the national economy. While such factors as whether the work he could do exists in his local area, or whether there are job openings, or whether he would or would not actually be hired may be pertinent in relation to other forms of protection, they may not be used as a basis for finding an individual to be disabled under this definition. It is, and has been, the intent of the statute to provide a definition of disability which can be applied with uniformity and consistency throughout the Nation, without regard to where a particular individual may reside, to local hiring practices or employer preferences, or to the state of the local or national economy.

The impairment which is the basis for the disability must result from anatomical, physiological, or psychological abnormalities which can be shown to exist through the use of medically acceptable clinical and laboratory diagnostic techniques. Statements of the applicant or conclusions by others with respect to the nature or extent of impairment or disability do not establish the existence of disability for purposes of social security benefits based on disability unless they are supported by clinical or laboratory findings or other medically acceptable evidence confirming such statements or conclusions. In most cases the decision that an individual is disabled can be made solely on the basis of an impairment, or impairments, which are of a level of sever-
ity determined (under administrative rules) to be sufficient so that, in the absence of an actual demonstration of ability to engage in substantial gainful activity, it may be presumed that the person is unable to so engage because of the impairment or impairments. The language which would be added by H.R. 12080 specifies the requirements which must be met in order to establish inability to engage in substantial gainful activity for those people with impairments to which the presumption mentioned above does not apply.

Your committee also believes it is necessary to reaffirm that an individual who does substantial gainful work despite an impairment or impairments that otherwise might be considered disabling is not disabled for purposes of establishing a period of disability or for social security benefits based on disability during any period in which such work is performed. The language in the committee's bill, therefore, specifically provides that where the work or earnings of an impaired individual demonstrate ability to engage in substantial gainful activity under criteria prescribed by the Secretary, the individual is not disabled within the meaning of title II of the Social Security Act.

Finally, the bill would provide that the individual must submit such medical and other evidence that he meets the preceding requirements as the Secretary may require; if he fails to do so, he may be found not to be under a disability.

The bill would also provide reduced benefits (as discussed in the statement on benefits for disabled widows and widowers) for certain disabled widows (including surviving divorced wives) and disabled dependent widowers under an initial test of disability which is different from that for disabled workers and childhood disability beneficiaries. Under this test, the Secretary of Health, Education, and Welfare would by regulation establish the severity of impairment which may be deemed to preclude an individual from engaging in any "gainful activity". (As opposed to "substantial gainful activity"). An individual whose impairments meet the level of severity established by the regulations of the Secretary would generally be found to be disabled, although, of course, if other evidence establishes ability to engage in substantial gainful activity despite such impairments, he would not be found disabled; and individuals whose impairments do not meet this level of severity may not in any case be found disabled. Once an individual meets the initial test and is found disabled, he would be considered disabled as long as his impairment precluded his engaging in substantial gainful activity.

(e) Workmen's compensation offset provisions

Under present law, if a disabled worker under age 62 qualifies for periodic workmen's compensation and social security disability benefits, the social security benefits payable to him and his family are reduced by the amount, if any, by which the total monthly benefits payable under the two programs exceed 80 percent of his average current earnings before he became disabled. A worker's average current earnings for this purpose are considered to equal the larger of (a) the average monthly wage used for computing his social security benefits, or (b) his average monthly earnings during his 5 consecutive years of highest covered earnings after 1950. Under present law the covered earnings referred to in (b) do not include that part of the earnings in
covered work in excess of the maximum annual amount that is creditable for social security purposes.

The objective of these provisions is to avoid the payment of combined amounts of social security benefits and workmen's compensation payments that would be excessive in comparison with the beneficiary's earnings before disablement. Your committee believes that the present provisions go beyond this objective in cases where a worker's actual previous earnings in covered employment are higher than the maximum amount that is creditable under the social security program. For example, a disabled worker whose actual earnings in covered work during his highest 5-year period are double the amount counted for social security purposes may be restricted to combined benefits of 40 percent, instead of 80 percent, of his previous pay. Your committee's bill would rectify this situation by specifying that average current earnings—and the amount of combined benefits that can be paid—may be computed without regard to the limitations established for annual creditable earnings. However, the records of the Social Security Administration do not show the workers' earnings above the creditable limit. Therefore, the bill would provide that certain assumptions may be made on the basis of the information contained in the records; under regulations, the Secretary may estimate the amount of earnings above the creditable limit on the basis of the information available to him. This change would provide more reasonable and equitable treatment for many workers who earn more than the annual amounts that may be counted for social security purposes.

5. Coverage changes

(a) Coverage of ministers.—Under present law, the services which a clergyman (including a Christian Science practitioner or member of a religious order who has not taken a vow of poverty) performs in the exercise of his ministry are excluded from social security coverage unless he elects coverage. If a clergyman elects coverage, his services in the ministry are covered under the provisions of law applicable to self-employed persons. For a clergyman to elect coverage, the law requires that he must file the waiver certificate by the due date of his income tax return for the second year in which he has had net earnings of $400 or more, any part of which was derived from the ministry. Services which a member of a religious order who has taken a vow of poverty performs in the exercise of his duties required by the order are compulsorily excluded from coverage.

An individual clergyman can decide on a completely voluntary basis whether he will be covered under social security. Your committee was informed that many clergymen, who can never become covered under the social security program because they did not file the waiver certificate within the prescribed time, now wish to become covered. On several occasions, in the past, the Congress has extended the time in which clergymen could elect coverage. Your committee recommends that the coverage provisions for clergymen be changed. Under the bill, all clergymen would be covered under social security, under the self-employment provisions, except those who on religious grounds are conscientiously opposed to the acceptance of social security benefits based on their services as clergymen. Clergymen who are conscientiously opposed to social security could have their ministerial services excluded
from coverage by filing an irrevocable statement to that effect. In effect coverage is still voluntary on the part of the individual, because he can elect not to be covered.

Under the bill, a clergyman in the ministry in 1966 or 1967 whose time for electing coverage under present law has not expired would retain the rights he has under present law to elect coverage for these years. Clergymen electing coverage under present law would continue to be covered for all future periods. Clergymen not electing coverage under present law nevertheless would be covered beginning January 1, 1968, except those who obtain exclusion from social security coverage on the basis of conscientious opposition to such coverage. Clergymen who are in the ministry in 1968 or before and who have not elected coverage under the present provisions of law would have until April 15, 1970, in which to obtain exclusion from coverage on the basis of conscience; clergymen first entering the ministry in 1969 or later would have until the due date of the tax return for their second year in the ministry in which to obtain exclusion. These effective dates and deadlines would be somewhat different for those relatively few ministers who do not file tax returns on a calendar year basis.

Also, under the bill, members of religious orders, whether or not they have taken a vow of poverty, would be covered or exempted under the same provisions that would be applicable to clergymen; the social security credits of those covered would be based on the cash allowances they receive and the value of board and lodging furnished to them.

(b) Coverage provisions applying to employees of States and localities.—Your committee's bill would improve the administration, at both State and Federal levels, of the provisions under which the States may bring groups of State and local government employees under social security.

One of these changes would facilitate social security coverage for certain workers who are in positions under a State or local government retirement system but are not eligible to join the system due to personal disqualification, such as those based on age or length of service. Under existing law, such workers can be covered under social security in certain circumstances but they cannot be covered in connection with the extension of coverage to members of their retirement system by means of a procedure known as the divided retirement system procedure. Under this procedure (now available to 19 specified States and to all interstate instrumentalities), coverage is extended to all those current members of a retirement system who want it, with all future members of the system being covered mandatorily. For purposes of this coverage extension procedure, the term "members" does not include any person who is ineligible to join the system; people in this situation can be brought under social security only if coverage is extended to the employees of the State or political subdivision who are not in positions subject to the retirement system. In some cases this avenue to social security coverage is closed because the State has not brought the nonretirement system group under social security. The bill would permit a State to modify its social security coverage agreement with the Secretary of Health, Education, and Welfare (either at the time coverage is extended under the divided retirement system pro-
procedure or at any time subsequent to such action) to bring under social security, as a group, those workers who are in positions under the retirement system but are ineligible to join the system. This amendment would not be applicable to policemen or firemen.

Another change related to the divided retirement system procedure would be made. The bill would add Illinois to the list of States which may use this coverage procedure. The 19 States which are now permitted to extend coverage under this provision are Alaska, California, Connecticut, Florida, Georgia, Hawaii, Massachusetts, Minnesota, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin.

The other changes that would be made by your committee's bill in the provisions for social security coverage of State and local government workers relate to services performed by certain temporary employees.

Under present law, the States have the option at the time they bring a group of workers under social security, of excluding from coverage certain types of services; e.g., those in part-time positions and those of an emergency nature, such as service performed in case of fire, storm, earthquake, or similar emergency. The State may extend coverage at a later date to services which were excluded under one of these options at the time coverage was provided for any coverage group. However, if the State does not exercise the option of excluding the services at the time coverage is provided for the coverage group, the services cannot thereafter be excluded. The coverage of some types of these optionally excluded services has been accidental, particularly in the case of emergency services, and services performed by election officials and workers who are paid small amounts at infrequent intervals.

The bill would permit States to exclude from social security coverage election officials and election workers who are paid less than $50 in a calendar quarter. This change would be applicable to most services performed by election officials and workers, because they usually work for no more than a day or two at a time. Actions taken by States to effectuate the exclusion could be taken in regard to any particular group of workers either at the time coverage is provided for the group, or at a later date.

Also, the bill would provide for the mandatory exclusion of emergency services such as those which are rendered during forest fires, floods, and similar emergencies. Because emergency situations arise infrequently and different workers may be involved each time, the mandatory exclusion of their services is unlikely to have adverse effects on the social security protection of the workers who perform emergency services.

(c) Additional wage credits for those in the uniformed service.—
Your committee's bill would provide additional social security protection for those serving in the uniformed services of the United States. Under present law, servicemen are covered under social security on a contributory basis similar to that applicable to other covered employment. A serviceman's coverage, however, is limited to his basic pay, and does not include certain cash increments which many receive or the substantial value of pay in kind, such as food, shelter, and medical services, the cash value of which is generally counted as wages in
case of other jobs covered under social security. Thus the social security protection of a worker may be impaired during a period when he is in military service, because of the relatively low earnings covered under social security, on which benefit amounts are based. Your committee's bill would take account of this situation by providing that, when social security benefits for a serviceman or veteran, or his family, are computed, there would be included an additional wage credit of $100 for each $100, or fraction thereof, of active duty pay, up to $300 a quarter (i.e. up to $100 a month), for service performed in the uniformed services after December 31, 1967, subject to the general limitation on the maximum earnings creditable in a year for benefit and tax purposes. Your committee believes that it would be unfair to many servicemen, particularly those whose cash pay is relatively small, to require that they pay social security employee contributions on these additional wage credits. Accordingly, the bill provides for reimbursing the social security trust funds from general revenues on a current basis for the added cost of benefits which would result from the enactment of this provision. The committee expects that the Defense Department appropriation will carry these funds.

(d) Retirement payments made to retired partners.—Retirement payments (whether received by an employee or a self-employed person) are, in general, not covered under social security for purposes of contributions, benefit computations, and the retirement test. However, retirement payments made by a partnership to a retired partner from the current earnings of the partnership are generally treated as earnings from self-employment and are covered under social security. This is true even though the retired partner performs no services in any trade or business which the partnership conducts and even though the retirement payments represent the individual's only relationship to the partnership. Your committee believes that partnership payments which are clearly retirement income should be excluded for all social security purposes.

Under the bill, payments received by a retired partner from the partnership would be excluded under conditions which assure that the payments are bona fide retirement income. The exclusion would apply where the payments received by the retired partner are made pursuant to a written plan of the partnership which provides for lifelong periodic retirement payments to the partner. It would only apply if the retired partner no longer had any interest in the partnership except for the right to the retirement payments. The exclusion would not apply to retirement payments made in a year in which the partner performed any services for the partnership.

(e) Coverage of Federal employees.—Your committee is aware of the gaps which exist in the protection of the Federal workers who do not have survivorship, disability, or retirement protection based on that employment.

A particular hardship exists in many instances when an individual dies during his first 5 years of Government service, when he is not yet entitled to survivorship protection under his Federal staff retirement system but he has lost his coverage under OASDI. A similar situation occurs when an individual dies shortly after leaving Federal service and before he has worked under OASDI long enough to be covered for survivorship benefits.
Additionally, an inequity may possibly exist in the relationship of the medicare program to Federal employees. Approximately 50 percent of our retired Federal employees are entitled to hospital insurance benefits under medicare on the basis of coverage acquired while serving in the armed services or working in private employment. If the retiree elects to pay the premium for coverage under the voluntary supplementary medical plan open to all of our citizens, he will enjoy health insurance protection approaching that afforded by the high option plans offered by the Federal Employees Health Benefit Act. In that case, the Federal Government is relieved of any obligation to contribute to his health care as an employee distinct from a member of the general public.

Those Federal retirees not entitled to hospital insurance protection under medicare cannot benefit from the voluntary supplemental plan toward which the Government currently contributes $3 per month on behalf of each participant. Since the retiree must retain the health insurance plan he selected as an employee in order to have hospital insurance protection, the voluntary supplemental plan will duplicate coverage he already has. As he is not permitted to collect duplicate benefits, the voluntary supplemental plan is not worth the $3 per month the individual would be required to pay.

The administration's bill, H.R. 5710, contained a proposal under which credits for work subject to a Federal staff-retirement system would be transferred to social security in all cases where the worker or his survivors do not become eligible for staff-system benefits based on that work. Your committee also considered the possibility of extending social security hospital insurance coverage to Federal civilian employment, on the contributory basis that is applicable to such coverage of almost all other kinds of work. Although each of these ideas has some merit, your committee believes there should be further and more comprehensive study of the possible ways of including Federal employees in the program before any recommendation for change is made.

Of concern to your committee is a situation that can occur when Government employees, either active or retired, work in employment covered under the social security program and qualify for the minimum or low benefits. This situation occurs when the Government worked with a substantial Government salary works part time under social security or enters covered employment after retirement; in such cases he can become entitled to social security benefits (perhaps the minimum benefit) which will be heavily weighted in his favor, receiving a higher percentage of wage replacement on his social security earnings. The social security weighted benefit formula is designed for the worker who has low earnings from all sources all his working life.

The committee has directed the Social Security Administration to make a thorough study of all of the various problems which up to now have precluded the coverage of governmental employees under social security. The committee directs the Social Security Administration to conduct this study in close and constant cooperation with employee groups and with appropriate Federal agencies with a view to resolving the problems in a manner that is fair to both the governmental employees and the other members of the labor force that sup-
port the OASDI system. The report of the study, including positive recommendations for covering of Government employees on a basis that is fair to both Government employees and all other workers, is to be submitted to the Congress prior to January 1, 1969.

6. Health insurance provisions

(a) Extending health insurance protection to disabled beneficiaries

Your committee gave extensive consideration to a proposal to extend health insurance protection under title XVIII to persons entitled to monthly cash benefits under the social security and railroad retirement programs because they are disabled. While your committee believes that there is much to say for extending the protection of Medicare to disability beneficiaries, it has regretfully concluded that it cannot recommend this extension of protection at the present time.

A major factor in your committee's decision was that data which first became available while the proposal was being considered indicated that the per capita cost of providing health insurance for the disabled under Medicare would be considerably higher than is the cost of providing the same coverage for the aged. As a result of the new data, the chief Actuary increased his estimates of the cost of the proposal significantly; this increase in the cost estimates, together with the revised estimates for the overall cost of the hospital insurance program discussed elsewhere in this report, raised serious problems with respect to the financing of the proposal.

The estimated difference between the cost of Medicare for the disabled and for the aged also raised questions as to what would be the most equitable way of financing Medicare coverage—especially medical insurance coverage, half of the total cost of which is met by the beneficiaries themselves.

Your committee has, therefore, deferred recommending extension of Medicare to the disabled, and has included in the bill a provision under which an advisory council will be appointed in 1968 to study the question of extending Medicare to the disabled, including the unmet need of the disabled for health insurance protection, the costs involved in providing this protection, and the ways of financing this protection. The Council would be required to submit a report of its findings to the Secretary of Health, Education, and Welfare not later than January 1, 1969. The Council would also be required to make recommendations on how this protection should be financed and on the extent to which the cost of this protection could appropriately be borne by the hospital insurance and supplementary medical insurance trust funds. The Council's report would be submitted to the boards of trustees of the trust funds and to the Congress.

(b) Elimination of requirement of physician certification in case of certain hospital services

Under present law, payment under the hospital insurance program may be made for services furnished by a hospital only if a physician certifies that the services are medically necessary. In addition, when the patient has received inpatient hospital services for an extended period, the physician must recertify to the continuing need for the services.
Your committee's bill would eliminate the outpatient hospital services certification requirement and the requirement for a physician's initial certification of the medical necessity for inpatient services furnished by hospitals other than tuberculosis and mental institutions. Outpatient hospital services and admissions to general hospitals are almost always medically necessary and the requirement for a physician's certification of this fact results in largely unnecessary paperwork. Your committee is hopeful that deletion of the certification requirement in these cases will be accompanied by a greater emphasis by hospitals on utilization review and on the certifications that will continue to be required.

The requirement for a physician's certification after inpatient hospital services have been furnished over a period of time, as is now met through a recertification requirement, would be retained. Since special conditions, in addition to need for some of the services they provide, are attached to payment for services furnished by psychiatric and tuberculosis hospitals, extended care facilities and home health agencies, the physician certifications with respect to these services are important and meaningful and would be retained.

(c) Method of payment to physicians under supplementary medical insurance program and time limit for filing claims

Present law provides two methods for the payment of charges by physicians (and others whose services are covered under the medicare program on a reasonable charge basis). Payment may be made to the beneficiary on the basis of a receipted bill submitted by him following his payment of the physician's fee; or the beneficiary may assign his right to reimbursement to the physician, who then submits the bill and receives payment on his patient's behalf. Under the assignment method the physician must agree that his total bill will not exceed the reasonable charges used as the basis of reimbursement under the medical insurance program.

Although many physicians are accepting assignments, some do not accept an assignment even where the beneficiary is not in a position to pay the fee in advance of medicare reimbursement, and this can result in financial hardship for the patient.

Your committee's bill makes provision for a new payment procedure under the supplementary medical insurance program to serve as an alternative to the assignment and receipted bill payment procedures. Under the new procedure, physicians or other persons providing covered medical and health services could request payment of medical insurance benefits to them on the basis of an itemized, unpaid bill without having to agree, as under the assignment procedure, to accept the program's reasonable charges as payment in full. If the bill is submitted in an acceptable form and within such time as may be specified in regulations and if the physician's charges for the services rendered do not exceed the reasonable charges, the program's benefits would be paid to the physician. Conversely, where these conditions are not met or where the physician directs that the benefits be paid to the patient, your committee's bill provides for the payment, based on an itemized bill which provides the necessary information, to be made to the beneficiary. Your committee believes that this new procedure will afford a meaningful alternative to the receipted bill and
assignment procedures for physicians who want to assist their patients by completing and submitting the claims for benefits under the supplementary program but who are unwilling to agree ahead of time that they will accept the carrier’s determination of a “reasonable charge,” as they must under the assignment procedure. If the physician prefers not to submit the bill at all, the patient would submit the unpaid bill with his claim and payment would be made to the patient.

In addition, your committee’s bill would establish a time limit on the period within which payment may be requested under the medical insurance program with respect to physicians’ services and other services reimbursable on a charge basis. Authority to establish a time limitation on the filing of claims by hospitals and other providers of services for cost reimbursement is provided under present law and a similar limitation for charge-related claims would promote efficient administration by avoiding the handling of claims which, by reason of their age, are not readily subject to verification. Under the bill, claims for the services in question would, in general, have to be filed no later than the end of the calendar year following the year in which the services were furnished. However, because expenses for services furnished in the last calendar quarter of a year can be counted in determining whether the deductible for the following year has been met, the time limit on filing with respect to services furnished in the last 3 months of the year would be the same as if the services had been furnished in the subsequent year. Your committee believes that this time limitation will allow beneficiaries, physicians and other claimants ample time to make requests for payment under the medical insurance program.

(d) **Simplification of reimbursement to hospitals for certain physicians’ services and for outpatient hospital services**

Your committee’s bill would simplify the procedures required for medicare reimbursement to hospitals and hospital patients. The simplification would be accomplished by: (1) providing that the full reasonable charges will be paid under the medical insurance program for covered radiological and pathological services furnished by physicians to hospital inpatients; (2) consolidating all coverage of outpatient hospital services under the medical insurance program, and (3) allowing hospitals to collect small outpatient charges from medicare outpatients. The result of these changes would be to facilitate beneficiary understanding and simplify hospital and intermediary handling of medicare claims by bringing the requirements of the medicare program more closely into line with the usual billing practices of hospitals and the payment methods of private insurance organizations.

(1) **Radiological and pathological services furnished to hospital inpatients.**—Physicians’ charges for services to individual medicare patients are covered under the medical insurance program. On the other hand, the compensation that some physicians receive from or through a hospital for services which benefit patients generally (for example, administrative services, committee work, teaching, research, and general supervision) as well as the other costs the hospital incurs in providing covered services (for example, salaries of technicians employed by the hospital, overhead, and equipment) are reimbursable.
under the hospital insurance program. A major difficulty has arisen for hospitals in preparing bills for reimbursement under medicare because it is very common for hospitals for other reimbursement purposes to give their patients bills for pathological and radiological procedures that cover both the specialist’s services to the patient and the supporting hospital services. Therefore, it is necessary under present law, where such consolidated bills are presented, for the hospital and physician to establish a breakdown of the combined bill into two parts, one for each of these two categories of services, in order to determine the patient’s liability under the medical insurance program for deductible and coinsurance amounts and to compute the respective liabilities of the two parts of the medicare program. The additional work for hospitals and physicians that results from this required division is an administrative burden for which medicare is entirely responsible. The required division of charges and split billing serve no purpose other than medicare reimbursement and the deductible and coinsurance payments, which are often very small, are a cause of confusion, annoyance and misunderstanding among beneficiaries.

Your committee’s bill would not modify the decision, embodied in the original medicare enactment, that physicians’ services to the patient be reimbursed under Part B, the medical insurance program, and that the cost of hospital services be reimbursed under Part A, the hospital insurance program. The bill would, however, improve medical insurance coverage somewhat by providing full coverage under medicare for pathology and radiology services furnished to hospital inpatients by physicians specializing in pathology and radiology. This change would provide reimbursement for the services in question in a manner that is comparable to the in-hospital coverage of pathology and radiology procedures that is afforded by many other health benefit plans thereby simplifying beneficiary understanding of the program and greatly facilitating medicare reimbursement by making it possible to pay for the services in question in a manner that is more consistent with the usual billing procedures of the hospital.

Under the bill, where the hospital customarily bills for the hospital’s services and the services of the pathologist or radiologist in combination, the absence of the medical insurance deductible and coinsurance would make it unnecessary to break down the bill on a patient-by-patient basis into the parts covered under the hospital insurance and medical insurance programs where the patient is entitled to benefits under both programs and has met the hospital insurance deductible. It is anticipated that in combined billing situations, a single intermediary would make all the required benefit determinations and that the respective liabilities of the two medicare trust funds would be determined periodically on the basis of the compensation the physician receives for services to patients and the costs incurred by the hospital in making its covered services available. From time to time throughout the year, adjustments would be made on aggregate basis between the two funds of the amounts for which each fund is estimated to be liable, and final settlements of the respective liabilities of the two funds would be made on the basis of the annual audited cost finding required in connection with hospital reimbursement.

There would generally be no patient liability for inpatient pathology or radiology services either with respect to the hospital insurance
component (since the inpatient hospital deductible will ordinarily have been met through charges for other services) or the medical insurance component. Therefore, your committee would expect that the proposed change would provide opportunities for the development of procedures which would eliminate paperwork and facilitate administration where the services in question are customarily billed through the hospital.

Pathologists and radiologists whose billings for their services to hospital inpatients are independent of the hospital's billing could also benefit from the committee's amendment. Since no deductible or coinsurance would be applicable to these services, the physician could, if he chooses to do so, submit a single bill to the program for his full reasonable charge; in such cases, the physician would not have to look to the patient for additional payment. Under the committee's bill, as under present law, the hospital and physician would be left free to decide whether charges for the physician's services are to be billed for by the hospital or by the physician as well as to determine the additional elements of the parties' financial or other arrangements with each other.

(2) Services to hospital outpatients.—Your committee's bill would consolidate the coverage of outpatient hospital services under the medical insurance program so that such services would be subject to the same deductible and coinsurance provisions as physicians' services. Under present law, reimbursement for hospital services to outpatients is made under whichever of the following sets of provisions is applicable: (1) Services provided by the hospital (including hospital-based physicians' services that benefit patients generally) are covered under the hospital insurance program, subject to a $20 deductible, where the services are diagnostic in nature and (2) coverage of hospital services is provided under the medical insurance program, subject to the $50 annual deductible and where the services are not diagnostic. In both cases a 20-percent coinsurance amount is applicable after the appropriate deductible is met. Expenses incurred in meeting the $20 deductible under the hospital insurance program are covered under the medical insurance program.

By transferring coverage of outpatient hospital diagnostic services to the medical insurance program, your committee's bill would simplify the procedure for paying benefits for services to hospital outpatients by making such payments subject to a single set of rules for determining patient eligibility, patient and medicare liability, and trust fund accountability. The bill would also remove any differential in benefits that could result under present law between hospital outpatient coverage and physician's office coverage because a patient's liability for the deductible with respect to diagnostic services furnished in a physician's office may be different from the patient's liability if the tests are furnished in a hospital outpatient department. Moreover, since all hospital services to outpatients and the related services of hospital-based physicians would be covered under the same program, there would be no reason not to permit combined billing for these services under medicare where this would be consistent with the usual practice of the hospital and physician. In these cases, a single intermediary could make all the required payments on the basis of the re-
muneration of the hospital-based physicians and the nonphysician costs the hospital incurs in making outpatient services available. The status under medicare of the physician who bills patients directly would not be affected.

(3) Simplified reimbursement of outpatient hospital services.—Under present law, providers of health services claim reimbursement for covered services from their hospital insurance intermediary and may charge the medicare patient only for applicable deductible and coinsurance amounts and noncovered services. This procedure is consistent with the inpatient billing practices of other hospital insurance programs and has proved to be generally satisfactory under medicare. It has, however, placed an unaccustomed administrative burden on hospitals in claiming reimbursement for low-cost services to outpatients.

In many cases the operation of the $20 deductible for diagnostic services and the $50 deductible for therapeutic services makes the patient liable for the total charge and no payment, or a very small payment, is made by the program. Experience indicates that the hospital's administrative costs in billing the program and the patient, in the case of the small bills involved, have sometimes been disproportionate in relation to the size of the bills and the amounts that have been collected. Another problem is that the hospital is often unable to accurately determine at the time outpatient hospital services are furnished how much the medicare patient has already paid toward the deductible. Where a check of the central medicare records after the patient has left the hospital premises indicates that the hospital collected less than the patient owed, it is often difficult for the hospital to collect the additional amounts from the patient. In the case of nonmedicare outpatients, the hospital can often collect the entire bill from the patient on the spot, where small charges are involved.

Your committee's bill would simplify billing for outpatient hospital services by permitting hospitals, as an alternative to the present reimbursement procedure, to collect small charges (in no case charges of $50 or more) for covered services from the medicare beneficiary outpatient without submitting a bill to medicare. Under this new procedure, a hospital could bill the patient its customary charges for outpatient services rendered and the patient would be reimbursed for 80 percent (less any applicable deductible amount) of the hospital outpatient charges as he would be reimbursed for other services that are reimbursed under the medical insurance program. The Secretary would determine the situations in which collection from the outpatient by the hospital was an advantageous procedure and would issue regulations limiting the application of the procedure to these cases. The Secretary would establish procedures designed to make it as easy as possible for beneficiaries who pay their hospital outpatient bills to claim reimbursement. Furthermore, since claims for hospital reimbursement will not be submitted for all outpatients under the proposed change as they are under present law, the Secretary will limit the applicability of the procedure to cases where the hospital can provide an adequate record of amounts collected from medicare patients and related information. As noted previously, since the hospital services to outpatients and the related hospital-based physicians' services to outpatients would both be covered under the medical insurance
program, the program or the patient, whichever is billed, would receive a combined billing for these services where this would be consistent with the hospital's usual practice.

Hospital collections from outpatients would be taken into account to assure that a hospital's total reimbursement from the program and medicare patients for the services in question would not exceed the hospital's cost of providing the services. In other words, the proposal would make no change in hospital income in the aggregate, in the program's liability or in the amounts that patients would be required to pay.

(e) Incentive for lowering costs while maintaining quality in the provision of health services

Under present law, participating providers of services and, in certain cases, group practice prepayment plans are reimbursed on the basis of the reasonable costs they incur in providing covered services to medicare beneficiaries. Also, title V (maternal and child health) and title XIX (medicaid) of the Social Security Act provide that hospitals will be reimbursed the full reasonable costs that are incurred in furnishing inpatient hospital services to recipients. Your committee is concerned that reimbursement on a cost basis may provide insufficient incentive for participating organizations to furnish health care economically and efficiently. The organization which is reimbursed at cost may see no advantage in lowering its costs. Moreover, patients do not take the same interest in the cost of the health services they receive when it is paid from insurance or Government funds as when they pay it out of pocket.

Your committee believes that other bases of reimbursement, including charges or a percentage of charges, should be explored which may, through experimentation, be demonstrated to be effective in increasing the efficiency and economy of providing health services without adversely affecting the quality of such services. Under the bill, the Secretary would be authorized to enter into agreements with a limited number of individual providers, community groups, and group practice prepayment plans which are reimbursed on the basis of reasonable costs, under which these organizations would engage in experiments with alternative reimbursement systems in order to lower the cost of providing services while maintaining their quality. (Group practice prepayment plans that have elected to be reimbursed on a cost basis for physicians' services, and also provide hospital services, could engage in experiments under which a combined system of reimbursement could be developed for both physician and hospital services.)

The Secretary will be expected to develop these experiments and establish procedures for selection of participants which are likely to be able to carry them out properly. Under the bill, the Secretary would be authorized to reimburse States for any additional costs they incur under their title V or XIX programs which result from these experiments.

Since the success of the experiments will be measured by improvement in efficiency and increase in output of health services per dollar of expenditure, effective measures of efficiency and quality are essential elements to the experiments and in many cases such measures will have to be developed before experimentation can begin. Your committee
believes that the Secretary may find it helpful to contract with research organizations, under existing authority, for the conduct of research designed to establish better methods of measuring hospital efficiency and output. Under the bill, the Secretary would be required to report annually to the Congress on the experience in carrying out the experimentation in incentive reimbursement.

(f) Additional days of hospital care

Under present law, payment is made under the hospital insurance program for up to 90 days of inpatient hospital services during a spell of illness, with the beneficiary paying a deductible amount ($40) plus a coinsurance amount (now $10) equal to one-fourth the inpatient hospital deductible for each of the 30 days above the first 60 days. Your committee's bill would provide for an additional 30 days of coverage of inpatient hospital services in a spell of illness (up to 120 days in total) with a coinsurance amount ($20 initially) equal to one-half the inpatient hospital deductible applicable to each of such 30 days. The proposed increase in the number of days of inpatient hospital benefits is intended to help meet the problem faced by a beneficiary who requires long-term care in an extended care facility and whose spell of illness continues through his stay in the facility because he has not been out of a hospital or any institution that is primarily engaged in providing skilled nursing care and related services for 60 consecutive days. The added coverage would mean that such a beneficiary who requires hospital care after his admission to such a facility is very likely to be eligible for further coverage of the hospital care since only rarely would he have used as many as 120 days in his initial hospitalization in the spell of illness. The imposition of the coinsurance amount of one-half the inpatient hospital deductible for each of these additional days of inpatient hospital care provides a safeguard against any possible excessive use of hospital care in these cases. The coinsurance feature would mean that hospital care would generally not be less expensive to the patient than would continued care in the extended care facility, thus avoiding any incentive to return to the hospital solely for the purpose of reducing the patient's share of the cost.

(g) Transitional provision on eligibility of presently uninsured individuals for hospital insurance benefits

Under present law, persons who attain age 65 in 1967 or earlier are eligible for hospital insurance protection even though they have not earned any quarters of coverage under the social security or railroad retirement programs. However, persons who attain age 65 in 1968 must have earned at least six quarters of coverage or be eligible for social security or railroad retirement benefits. Your committee believes that this initial increase of six quarters of coverage is too sharp, and the bill provides that the minimum amount of quarters of coverage required for entitlement under this special provision of persons attaining age 65 in 1968 would be three quarters of coverage, with the required number of quarters of coverage increasing by three quarters for each subsequent year in which the individual attains age 65. The transitional provision will phase out so that by 1973 (1974 for women)
the same number of quarters of coverage will be required for entitlement to cash benefits and hospital insurance benefits. The cost of hospital insurance protection provided under this provision will continue to be financed from general revenues rather than from the Federal Hospital Insurance Trust Fund. The following table shows both the present and the new requirements for entitlement under the transitional insured status provision:

**Coverage Requirements under the Insured Status Provision of Present Law and under the Committee Bill**

<table>
<thead>
<tr>
<th>Year attains age 65</th>
<th>Present Law Men</th>
<th>Committee Bill Men</th>
<th>Present Law Women</th>
<th>Committee Bill Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASI</td>
<td>HI</td>
<td>OASI</td>
<td>HI</td>
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<tr>
<td>1967 or earlier</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1968</td>
<td>17</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>1969</td>
<td>18</td>
<td>9</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>19</td>
<td>12</td>
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<td>1971</td>
<td>20</td>
<td>15</td>
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<td>1972</td>
<td>21</td>
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<td>1974</td>
<td>23</td>
<td>21</td>
<td>18</td>
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</tr>
<tr>
<td>1975</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td></td>
</tr>
</tbody>
</table>

(h) Inclusion of Podiatrists' Services under Supplementary Medical Insurance Program

Your committee's bill would cover the nonroutine services of doctors of podiatry or surgical chiropody in the same fashion as those services are covered if performed by doctors of medicine or osteopathy. The bill would provide this coverage by broadening the definition of the term "physician" in title XVIII to include (except for purposes of utilization review requirements and the performance of certain determinations of medical necessity) a doctor of podiatry or surgical chiropody. Under present law, a "physician" is defined as a doctor of medicine or osteopathy or, in certain limited circumstances, a doctor of dentistry or of dental or oral surgery. Physicians' services to individual beneficiaries are covered under the supplementary medical insurance program (pt. B).

In line with the exclusion in present law of such services as routine physical checkups; most dental services; eye examinations for the purpose of prescribing, fitting, or changing eyeglasses; examinations for hearing aids; immunizations, etc.; the bill would exclude certain types of foot care whether provided by a podiatrist or by a medical doctor. Payment would not be made for the treatment of flat feet and the prescription of supportive devices therefor; treatment of subluxations of the foot; and routine foot care, including the cutting or removal of corns, warts, or calluses, the trimming of nails, and other routine hygienic care. Although the exclusion of certain types of foot care would apply whether the care was provided by a podiatrist or a medical doctor, as a matter of fact, medical doctors seldom provide such care. Thus the exclusion would not be a significant reduction in the coverage of present law to foot ills and would result in making the coverage of treatment of foot problems equivalent for medical doctors.
and doctors of podiatry where the two types of doctors are equally qualified to provide the required care.

(i) Payment for the purchase of durable medical equipment

Present law provides reimbursement under the supplementary medical insurance program for expenses incurred for the rental of durable medical equipment. There are, however, instances where the patient purchases the equipment or where he would wish to purchase the equipment because he believes it would be more economical or more practical than rental—for example, where a patient's treatment will require the use of an item of durable medical equipment for a period of time over which the customary rental fees would exceed the usual purchase price.

Your committee's bill would make benefits covering durable medical equipment more responsive to the needs of the patient by including a provision which would permit medical insurance benefits to be paid in situations where an individual chooses to purchase rather than to rent the equipment. However, this provision would operate only as an economical alternative to the present coverage. To avoid paying the full purchase price of costly equipment used only a short time and, thereby, allowing the patient or his estate to profit upon its disposition, the bill would provide that benefits for the purchase of relatively expensive items of durable medical equipment would be paid in monthly installments that are equivalent to the payments that would have been made had the patient chosen to rent the equipment. Moreover, benefits would be paid only for that period of time during which the equipment was certified to be medically necessary or until the purchase price of the equipment had been fully reimbursed, whichever came first. The patient would wish to make the purchase under these circumstances if the purchase was less costly than rental because through the purchase his coinsurance payments would be reduced.

With respect to the purchase of inexpensive equipment, on the other hand, your committee's bill would permit a lump-sum payment of benefits where the carrier determines a single payment to be more practical than periodic payments.

(j) Payment for physical therapy furnished by hospital to outpatients

Under present law, health insurance payments may generally be made for physical therapy furnished in a homebound patient's home by a home health agency that is participating in the program. In some instances a hospital may have the personnel and be organized to provide a similar service in the patient's home with equal consideration for quality safeguards as is provided by a home health agency and under circumstances which would not pose substantial problems of administration. However, at present, the physical therapy services the hospital furnishes to its outpatients are covered only if they are incidental to the services of a physician or if the hospital has an organized home health service.

Your committee's bill would extend medical insurance coverage to physical therapy services which are not directly incident to a physician's service if furnished by a hospital, or by others under arrangements with the hospital, to outpatients in a place of residence used as the outpatient's home. The objective of the amendment is to make
scarce physical therapy services available on a reimbursable basis to medicare patients whose conditions make it medically necessary for them to receive physical therapy at home in cases where the hospital does not wish to serve as a home health agency but undertakes to supervise the provision of physical therapy services in the home.

(k) Payments for certain portable X-ray services

Under present law, diagnostic X-ray tests furnished outside the hospital and extended care facility are covered under the supplementary medical insurance program if performed under the direct supervision of a physician.

There are instances, however, where technicians take X-rays in the patient's home in accordance with the written authorization and under the general direction of a physician but without his immediate supervision and where the films are read by a radiologist. Making benefits available for portable X-ray services provided in the patient's home would facilitate diagnosis in some cases where, because the patient is bedridden or unable to obtain transportation, it is difficult for him to receive X-rays outside his home. Your committee's bill would provide coverage under the supplementary program for the services in question, but to avoid supporting services which are inadequate or hazardous to the patient, benefits would be paid only where the tests are performed under the supervision of a physician and meet such conditions relating to health and safety, with respect to both the equipment used and the operators thereof, as the Secretary may find necessary. Because of potential hazards to a patient's health and because of the professional education required to determine the nature of the services required and the meaning of the results, diagnostic X-ray services would have to be provided under very careful skilled supervision to be adequate.

(i) Exclusion of certain procedures performed during eye examinations

Present law excludes from coverage expenses incurred for routine physical checkups, or for eyeglasses or eye examinations for the purpose of prescribing, fitting, or changing eyeglasses. When eye refractions are performed by themselves for the single purpose of determining the need for glasses or kind of glasses required the charges for the procedures are not covered. However, sometimes eye refractions are performed as part of a more general determination of the nature of eye disease from which a patient may be suffering. In cases where a physician specialist in eye diseases, an ophthalmologist, is performing a general examination and a refraction is one of a number of tests made, the refraction may under present law be covered while if the same procedure were performed by an optometrist, it would not be covered. The bill would amplify the eye examination exclusion to specifically provide that expenses for procedures performed during the course of any eye examination to determine the refractive state of the eyes would be excluded. The additional provision would make clear that the refractive procedures would be excluded when performed by an ophthalmologist or any other physician and even when the refraction is part of an examination performed in relation to an illness not entirely related to the possible need for eyeglasses. In this way the
provisions of law in connection with the coverage of eye care would be made equivalent for all persons providing such care.

(m) Blood deductibles

Under present law a deductible, equal to the cost of the first three pints of blood furnished a beneficiary in a spell of illness, is applied with respect to whole blood provided under the hospital insurance plan (part A). There is no deductible with respect to blood derivatives and no special deductible is applied with respect to blood furnished under the supplementary medical insurance plan (part B).

The deductible with respect to whole blood furnished under part A was included in the law in order to encourage donations of blood to replace blood furnished medicare beneficiaries. Under present law the provider of services furnishing blood may charge the beneficiary for the blood not paid for by the medicare program because of the operation of the deductible, but the provider may not charge the beneficiary for whole blood which has been replaced by him or on his behalf on a pint-for-pint basis. Representatives of the voluntary blood replacement programs have expressed concern that the blood deductible provisions in present law do not provide sufficient incentive for the replacement of blood. Your committee's bill modifies the deductible with respect to blood furnished under part A to increase this incentive, and has provided for a similar deductible with respect to blood furnished under part B.

Under the bill, "blood" with respect to which the 3-pint deductible under part A would apply would be broadened to include, in addition to whole blood, packed red blood cells. The supply of either of these forms of blood requires continual donations of fresh whole blood. In addition, while the 3-pint deductible would be retained, so that a beneficiary could be charged for no more than the charges for the first three pints of blood furnished to him in a spell of illness, the law would be amended to include the following definition of "replacement" of such blood: in order to get credit for replacement of the first pint of blood furnished a beneficiary in a spell of illness, a beneficiary (or a person acting on his behalf) would have to give two pints of blood to the provider of services that furnished the blood; the beneficiary would be given credit for replacing the second and third pints furnished him if at least a pint-for-pint replacement was made with respect to these two pints. In determining whether blood had been replaced in a spell of illness, if a beneficiary were furnished blood by more than one provider of services during a spell of illness he could count blood furnished in more than one facility toward the 3-pint maximum to which the deductible would apply. In such cases, charges with respect to the first pint of blood furnished in a spell of illness, and any credit for replacement of such blood, would be determined in accordance with the provisions of the law and regulations of the Social Security Administration. In applying the deductible a beneficiary would not be charged for more than three pints of blood nor be required to give more than four pints of blood as replacement of the 3-pint-deductible amount.

As under present law, in determining whether a beneficiary has replaced blood under this provision credits provided for a beneficiary under group blood-donor programs and accepted by the provider of
services furnishing the blood would be counted as replacement under the deductible provision. The bill would also establish a separate deductible under part B with respect to the first three pints of whole blood or packed red blood cells furnished a beneficiary in a calendar year and covered by the program. The policies concerning replacement of blood furnished a beneficiary would be the same with respect to blood furnished under part B as with respect to blood furnished under part A. The part A and part B deductibles would be applied separately, without respect to whether one or the other had been met.

(n) Appropriations to supplementary medical insurance trust fund

The Social Security Act authorizes the appropriation to the supplementary medical insurance trust fund of a contribution from general revenues equal to the aggregate premiums payable by persons enrolled under the medical insurance plan. The Congress intended that the Government contribution should be paid into the trust fund at the time that the premiums being matched by this contribution were deposited. When the matching funds are deposited subsequent to the time the premiums are paid, the delay in making the Government contribution results in a loss of interest to the trust fund and a gain in interest to the general funds of the Treasury. Your committee believes that no such loss to the trust fund should be allowed to occur. However, while it has included in the bill a provision for making up for interest lost to the trust fund, your committee intends that Government payments due the trust fund should be appropriated promptly as due and deposited in the fund; the bill merely assures that, if there should nevertheless be a delay in appropriation or deposit, no interest loss to the trust fund and no gain to general funds should result.

The bill would authorize the appropriation from general revenues of amounts sufficient to cover any loss of interest incurred by the trust fund in a fiscal year (beginning with fiscal year 1968) as a result of delays in the deposit of the Government contribution. The bill would also authorize the appropriation of amounts sufficient to cover any Government contributions due the trust fund for fiscal year 1967 but not appropriated during that year, as well as interest on such amounts, the interest to be computed as if such amounts had been appropriated on June 30, 1967.

In addition, present law authorized the appropriation from general revenues of a contingency reserve which will remain available to the medical insurance program until the end of calendar year 1967. This reserve was considered to be necessary at the beginning of the program, when there was no experience with benefit costs for the program and when contingency reserve funds would only gradually be accumulated. In view of the fact that sufficient operating data have not been available to permit an analysis upon which to base a judgment of whether the fund will be needed, your committee believes that it would be desirable to extend authorization for this contingency reserve to the end of calendar year 1969. It is hoped that during this period reasonably adequate information on benefit costs, derived from experience with the present program, will become available, and on the basis of this experience, accurate estimates of future costs made. Furthermore,
during this period it is expected that an adequate fund for contingencies will be accumulated from the excess of premiums over benefits. If no contingency reserve is made available to provide an additional safety factor the premium rate over the next several years would have to be set at a higher level than is expected to be needed for the cost of benefits and administration, in order to provide funds which might be needed should the estimates of cost prove to be substantially below experience. The contingency reserve would not, even if used, be a permanent charge to general revenues from which it was authorized to be appropriated since any advances from this reserve are to be repaid from future income to the medical insurance trust fund.

(o) Enrollment under supplementary medical insurance program based on alleged date of attaining age 65

Under present law, a person is eligible to enroll in the supplementary medical insurance program when he attains age 65. However, the law includes several restrictions on his enrollment after age 65 because of concern that in the absence of these restrictions persons might delay enrolling until they foresee that they will have covered medical expenses. If a person does not enroll during his initial 7-month enrollment period, beginning with the third month before the month in which he attains age 65, he cannot enroll until the next general enrollment period (Oct. 1 through Dec. 31 of each odd-numbered year beginning with 1967). If he does enroll after his initial enrollment period, he may be required to pay a higher premium than if he had enrolled at age 65 and coverage cannot begin until the July 1st following a general enrollment period. Also, he cannot enroll in the program for the first time more than 3 years after his initial enrollment period. Present law makes no provision for excusing individuals who first seek to enroll some time after they reach age 65 because they are mistaken about their age. Thus, although a person who files for benefits some time after he is first eligible is able to get cash benefits and hospital insurance benefits retroactively for up to 12 months, he may have to wait for as long as 2 1/2 years before his medical insurance coverage could begin.

Your committee believes that where documentary evidence indicates the individual delayed filing because he was mistaken about his age, he should not be penalized by having to wait until a general enrollment period to enroll in the medical insurance program and by having to pay an increased premium. The bill would provide that where an individual who has attained age 65 has failed to enroll in the medical insurance program because he relied on documentary evidence which indicated that he was younger than he actually was, he would be allowed to enroll, using, for the purpose of determining his initial enrollment period and coverage period, the date of attainment of age 65 shown in the documentary evidence.

(p) Limitation on special reduction in allowable days of inpatient hospital services

Present law requires that when an individual is an inpatient of a psychiatric hospital or a tuberculosis hospital when he becomes eligible for hospital insurance benefits, the number of days on which he was an inpatient in such an institution in the 90 days (120 days under
the bill) before his first eligibility be deducted from the 90 days of inpatient hospital services for which payment could otherwise be made during the spell of illness which begins with his entitlement. This so-called carryover provision is intended to be consistent with other provisions of law related to psychiatric and tuberculosis hospital care which seek to assure that the hospital insurance plan will cover only the active phase of psychiatric or tuberculosis treatment. The carryover provision avoids the payment of medicare benefits for 90 days of psychiatric or tuberculosis hospital services beginning with age 65 on behalf of a long-term patient who may have been receiving primarily custodial care for years previously.

Your committee is concerned, however, that the carryover provision also bars payment for general hospital services for long-term psychiatric or tuberculosis hospital inpatients when the patient suffers some illness, other than a tuberculosis or a psychiatric condition, which requires general hospital care, for example, where a mental patient suffers appendicitis or a heart attack. Therefore, your committee's bill modifies the provision in question so that the reduction of coverage which applies when an inpatient was in a psychiatric or tuberculosis hospital before entitlement to medicare would not be applicable to inpatient hospital services furnished outside a psychiatric or tuberculosis institution when these services are not primarily for the diagnosis or treatment of the patient's mental illness or tuberculosis. For example, consider an individual who had been a psychiatric hospital patient when he became entitled under the hospital insurance program and had been in the institution for all of the preceding 120-day period. This individual would, beginning with services furnished on and after January 1, 1968, be eligible for payments for up to 120 days of inpatient hospital services, but only if they are furnished by hospitals that are neither tuberculosis nor psychiatric hospitals and only if the services are primarily for a condition other than a mental condition or tuberculosis. The bill would also change the coverage in the case where the individual had fewer days than 120 days in such an institution prior to his entitlement. For example, an individual who had been in a psychiatric hospital for 60 days before reaching age 65 in August 1966, when he became entitled, would, in accordance with present law, have been covered for the next 30 days of care in that hospital. If he were still in the same hospital on January 1, 1968, he would be eligible for an additional 30 days of care in a psychiatric or tuberculosis institution. At the end of those 30 days he would remain eligible for 60 days of coverage in a general hospital for treatment of a disorder other than tuberculosis or a mental disorder.

(g) Study to determine feasibility of inclusion of certain additional services under part B of title XVIII of the Social Security Act

Your committee's bill would require the Secretary of Health, Education, and Welfare to study the question of adding to the services now covered under the supplementary medical insurance program the services of additional types of licensed practitioners performing health services in independent practice. The Secretary would be required to report to the Congress, prior to January 1, 1969, his finding with respect to the need for covering under the medical insurance program
the various types of services performed by such practitioners and the costs of such coverage. The Secretary would also be required to make recommendations as to the priority of covering these services, the methods of the coverage, and the safeguards that should be included in the law if any such coverage is provided.

7. Other provisions relating to the cash and health insurance programs

(a) Eligibility of adopted child for monthly benefits

H.R. 12080 would provide an alternative to the requirements of present law relating to benefits for a child adopted by the surviving spouse of a worker after the worker died. Under present law a child can get benefits based on the earnings record of a deceased worker who is not his parent only if the child is adopted by the worker's surviving spouse within 2 years after the worker's death. Under H.R. 12080 benefits could be paid to such child if before his death the worker had initiated proceedings to adopt the child or the child had been placed in the worker's home for adoption.

In some cases, a surviving spouse, due to circumstances beyond her control, is unable to complete within 2 years of the worker's death an adoption started before his death. Your committee believes that where the worker initiated adoption proceedings, or the child was placed in the home by an adoption agency, prior to the worker's death, the child lost a source of support on the death of the worker.

(b) Eligibility of a child for benefits based on his mother's earnings record

Under the present law a child is always considered dependent on his mother if the mother is currently insured (that is if she has approximately 1½ years of covered work in the 3-year period immediately prior to her becoming disabled, reaching retirement age, or dying). If the mother is not currently insured, the child is dependent on her only if: (A) she is contributing at least one-half of the child's support; or (B) she is living with the child or is making regular contributions to the child's support and the child's father is neither living with the child nor making regular contributions to the child's support.

Your committee believes that even where a fully insured mother was not gainfully employed immediately before her retirement, disability, or death the family generally suffers a substantial economic loss. In many cases the loss of the mother's earnings that occurs as a result of her retirement, disability or death may have much the same effect on future family income as the loss of the father's income. Therefore, the same general presumptions of dependency ought to be applied for the purpose of paying child's benefits based on the mother's earnings as are now applied for the purpose of paying benefits based on the father's earnings.

Thus the committee's bill would provide that a child be deemed dependent on his mother on the same basis as a child is deemed dependent on his father under present law. As a result, the child would always be deemed dependent on his mother if she were fully or currently insured unless the child was legally adopted by another person.

Dependency on a stepmother would be established on the same basis as it is for stepfathers under present law—a child would be dependent on his stepmother if the child is living with the stepmother or if the
child is receiving at least one-half of his support from the stepmother. Where a child is eligible for benefits on the earnings records of two parents, he would be paid the higher of the two benefits, as under present law.

An estimated 175,000 children would be eligible for benefits immediately as a result of this change, and an estimated $82 million would be payable in additional benefits in 1968 under the amendment.

(c) Residual benefits for child who qualifies as a child only under the 1965 change in determination of family status

Your committee has become aware of instances in which the benefits payable to a worker's widow and legitimate children are reduced because of entitlement to benefits on the worker's account of certain illegitimate children under the 1965 social security amendments. (The 1965 amendments provided that certain "recognized" illegitimate children who could not inherit their fathers' intestate personal property could become entitled to benefits on the same basis as legitimate children, adopted children, and illegitimate children who had inheritance rights under the laws of the State in which the father was domiciled.)

In order to prevent the reduction of the benefits payable to other members of a worker's family because of the benefits payable to such children, your committee's bill provides that benefits for illegitimate children who qualify only under the 1965 amendment (section 216(h) (3) of present law) would be residual—that is, that the benefits payable to such children could not exceed the difference between the sum of all other benefits being paid on the worker's earnings record and the maximum amount payable on the worker's earnings record.

(d) Underpayments

H.R. 12080 would change the provisions of present law governing the payment of cash benefits due a beneficiary who has died and would establish in the law a method of settling claims in similar situations under the supplementary medical insurance program.

(1) Cash benefits.—Under present law, if the amount of cash benefits due a beneficiary at the time he dies is 1 month's benefit or less, it is paid to the surviving spouse who was living in the same household with the deceased beneficiary at the time of his death; where the amount due is greater than 1 month's benefit, or if there is no surviving spouse, payment can be made only to a legal representative of the estate.

Your committee recognizes that the present provision gives rise to unnecessary difficulties, particularly, where the amount of the unpaid benefits is small. State law governs the procedures for appointing a legal representative of a deceased person's estate, and very few States, even where small-estate statutes are in effect, provide a simple means by which a person can be appointed to act as the legal representative of an estate. The expense of appointing an administrator (for an estate whose only asset may be the unpaid check) may be larger than the amount of the check, and, even where an administrator is appointed and the underpayment is paid, the amount that the claimant finally gets may be severely reduced by the cost of settling up the estate. At the end of June 1967 there were about 141,000 cases in which
claims for underpayments had not been paid under the present provision for settling claims for benefits due a beneficiary who has died.

Under the provisions recommended by your committee, these difficulties would be largely avoided by listing in the law an order of priority for settling claims for such underpayments. Under the bill, the cash benefits due a deceased beneficiary at the time he died could be paid in about two-thirds of all cases even though a legal representative of the deceased beneficiary's estate had not been appointed. The amounts due a beneficiary at the time of his death would be paid in the following order of priority: (1) To his surviving spouse if she was entitled to benefits on the same earnings record as the deceased beneficiary, or (2) of his child or children (in equal parts) if they were entitled to benefits on the same earnings record as the deceased beneficiary, or (3) to his parent or parents if they were entitled to benefits on the same earnings record as the beneficiary, or (4) to the legal representative of the deceased beneficiary's estate, or (5) to his surviving spouse not entitled to benefits on the same earnings record, or (6) to his child or children (in equal parts) not entitled to benefits on the same earnings record. If none of the persons mentioned in the bill exist, no payment would be made.

(2) Unpaid medical insurance benefits.—Present law provides no direction on how claims for medical insurance benefits should be settled in cases where the beneficiary dies after receiving covered services for which reimbursement is due but before reimbursement has been made to the beneficiary and before an assignment of the benefits has been effected. In the absence of a specific provision in the law, the Social Security Administration has been making payments, in agreement with the provisions of applicable State law, to the legal representative of the deceased beneficiary's estate; in cases where no legal representative has been appointed, the Administration has been making payments to alternative payees provided under administrative procedures. Your committee's bill would provide in the law specific directions for settling claims for unpaid medical insurance benefits in these cases.

Under your committee's recommendations, in cases where a beneficiary who has received services for which payment is due him dies, and the bill for such services has been paid (but reimbursement under the medical insurance program has not been made) payment of the medical insurance benefits to the person who paid the bill would be authorized. If payment could not be made to the person who paid the bill, payment would be made to the legal representative of the deceased beneficiary's estate, if any. If there is no legal representative, payment would be made to relatives of the deceased individual in the following order of priority: (a) the surviving spouse living with the deceased beneficiary at the time of his death; (b) a surviving spouse entitled to a monthly social security benefit based on the earnings of the deceased beneficiary; or (c) the child or children of the deceased beneficiary (in equal parts). If none of the persons mentioned in the bill exist, no payment would be made.

The bill would also authorize the Secretary to settle claims for unpaid medical insurance benefits in cases where the bill for covered services had not been paid by making payment to the physician (or other
supplied by services) who provided the services, but only if the phy­
sician (or other provider of health services) agrees to accept the reason­
able charge for the services as his full charge.

(e) *Simplification of computation of primary insurance amount and quarters of coverage in case of 1937-50 wages*

The bill would provide a solution to specific administrative problems that have developed in the social security program by revising the method of computing benefits and determining quarters of coverage based on wages in years prior to 1951 so that electronic data processing, rather than manual, procedures could be used.

Because an annual breakdown of wages earned during the period 1937-50 has not been transferred to magnetic tape (it is now on microfilm) whenever such wages must be considered in figuring a benefit amount a manual examination of the microfilm earnings record for that period is necessary: this procedure is expensive and time consuming. In order to eliminate the manual processing now required, the bill would modify the benefit computation using pre-1951 wages so that electronic data processing equipment could be used. Under the provisions of the bill, a worker would be deemed to have been paid all the wages credited to his social security account (including military service credits and creditable compensation under the Railroad Retirement Act) for the years 1937 through 1950 in 9 years before 1951 (distributed evenly over the 9 years) if his total wages for those years do not exceed $27,000; if the total pre-1951 earnings exceed $27,000, the earnings would be allocated to the pre-1951 years at the rate of $3,000 a year (the maximum then creditable toward benefits). A formula giving roughly the same effect as the present-law formula of computing benefits, plus 14 "increments," would be provided for computations where the period used is the one beginning with 1937. (Under present law the word "increment" describes the 1-percent increase in the basic benefit amount that is given for each year prior to 1951 in which the worker was paid wages of $200 or more.)

The reason for distributing the worker's pre-1951 wages over a minimum of 9 years is that if 14 increment years were given in each case there would be no deliberalizations of present law and liberalizations would be small in both number and amount. If all of the pre-1951 earnings were allocated over fewer than 9 years and 14 increment years were given in each case, liberalizations could be quite large. If, on the other hand, in such cases earnings were allocated to more than 9 years and increment years in some number less than 14 were given substantial deliberalizations could occur.

In order to further assure that no deliberalizations or excessive liberalizations would occur when the new method of computation is used, where the period used is the one beginning with 1937 benefits would continue to be computed under the provisions of present law rather than under the new method. The provisions of present law would continue to apply where: (1) the primary insurance amount is figured using the computation provisions in effect before the Social Security Amendments of 1960 (where a period of years shorter than the period required under present law can be used in computations); (2) a worker attained age 21 after 1936 and before 1951 (where less than 9 years of pre-1951 earnings can be used); or (3) years in a
period of disability which began before 1951 are excluded in computing the primary insurance amount (where, again, less than 9 years of pre-1951 earnings can be used.)

The provision would apply to all computations and recomputations made after enactment. However, it would not apply to benefits payable before 1967 and benefits for people on the benefit rolls would not be recomputed under this amendment unless the worker had covered earnings after 1965.

Alternative Method of Determining Quarters of Coverage.—In order to qualify for social security cash benefits, a person must have credit for a specific amount of work under social security.

As in the case where pre-1951 wages must be considered in figuring a benefit amount, whenever a worker's insured status depends on his quarters of coverage in the period 1937-50, a manual examination of the microfilm earnings record is necessary to determine the number of quarters of coverage he has credited in that period. Under the bill, quarters of coverage for that period would be determined on the basis of the worker's total wages in the period, for which information is recorded on magnetic tape; one quarter of coverage would be allotted for each $400 of total wages before 1951. (No change would be made in the provisions of present law for determining quarters of coverage earned after 1950.)

Use of the alternative method of counting quarters of coverage would be limited to people who need seven or more quarters of coverage in order to be fully insured (men born after 1892 and women born after 1895). The reason for this limitation is to prevent, as much as possible, giving a fully insured status to people not fully insured under present law.

(f) Definitions of “widow”, “widower”, and “stepchild”

Under present law the relationship of widow, widower, or stepchild must have existed for at least 1 year if social security benefits are to be paid. (The 1-year requirement does not apply to the surviving spouse if there are natural or adopted children of the marriage or if the survivor is potentially entitled to benefits on the earnings record of a previous spouse.) Your committee's bill would reduce the duration-of-relationship requirements for widows, widowers, and stepchildren of deceased workers from 1 year to 9 months. The present law contains a 1-year duration-of-relationship requirement which was adopted as a safeguard against the payment of benefits where a relationship was entered into in order to secure benefit rights. While the present requirements have generally worked out satisfactorily, situations have been called to the committee's attention in which benefits were not payable because the required relationship had existed for somewhat less than 1 year. Although some duration-of-relationship requirement is appropriate, a less stringent requirement would be adequate.

Your committee's bill would further modify the duration-of-relationship requirements for widows, widowers, and stepchildren of deceased workers to provide an exception to the 9-month requirement in the case of deaths among members of the uniformed services and accidental deaths. Thus, under the bill, the duration-of-marriage requirement would be reduced to 3 months where the insured person
was a member of a uniformed service on active duty, or where the worker's death was accidental, unless the Secretary determines that at the time of the marriage the individual could not reasonably have been expected to live for 9 months.

Under the bill, a person suffers accidental death if he receives bodily injuries through "violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes" and dies within 3 months of receiving the bodily injuries. This definition follows those used in private insurance contracts.

(g) Elimination of the currently insured requirement for entitlement to husband's and widower's benefits

Under present law, husband's and widower's benefits can be paid only if the husband or widower was actually dependent on his wife at the time she retired, became disabled, or died. It is also required that she be currently insured (that is, if she had at least 1 1/2 years of covered work within the 3-year period before her retirement, disability or death). A wife, on the other hand, is always able to qualify for benefits based on her husband's earnings.

Your committee believes that it would be desirable to make the dependency requirements for women's dependents similar to the dependency requirements which must be met by the dependents of men. Because men are not ordinarily dependent on their wives, it seems reasonable to retain the requirement that a husband must show that he was dependent on his wife. If the requirement were removed, the cost of the program would be substantially increased and the additional benefits would be paid chiefly to people, such as retired Government employees, who are getting other public pensions. However, your committee knows of no compelling reason for retaining the currently insured requirement. The fact that a woman supported her husband should be sufficient grounds for paying monthly benefits to him.

An estimated 5,000 husbands and widowers would qualify for benefits under this provision. Benefit payments would be about $3 million in 1968.

(h) Extension of time for filing reports of annual earnings for the retirement test

The Social Security Act requires a person whose earnings in a year were large enough to cause him to lose some or all of his benefits to file a report of his earnings not later than the 15th day of the fourth month following the close of the taxable year in which he had the earnings. For most people the report is due on April 15. The law does not provide any way in which the due date may be extended for an individual and requires a penalty for late filing unless the individual can show good cause for the late filing.

In some circumstances an individual knows that he will be unable to file his report on time and he could be expected to ask for an extension of time if there were a provision in the law authorizing it. Your committee believes that when a valid reason exists a beneficiary should be allowed a brief extension of time within which to make the required report of his earnings.

This change would be effective upon enactment of the bill.
(i) Reduced penalties for failure to file timely reports

(1) Failure to file timely reports of earnings.—Under present law, the first time a beneficiary under age 72 fails to report (for purposes of the retirement test) annual earnings above $1,500, the law imposes a penalty equal to 1 month's benefit. This penalty was established when 1 month's benefit was the smallest amount that could be withheld under the retirement test. Under the provisions of present law, the amount of benefits that can be withheld may be less than 1 month's benefit. The bill would reduce this penalty for the first failure to report such earnings within the specified time to an amount equal to the amount to be withheld but not less than $10.

(2) Failure to file timely reports of other events requiring the withholding of benefits.—The bill would also reduce penalties for failure to report within the required time employment or self-employment outside the United States on 7 or more days in a month by a beneficiary under age 72, and, for a woman getting wife's or mother's benefits because she is caring for a child, any month in which she does not have the child in her care.

Under present law, failure to report these events results in a penalty of 1 month’s benefits for the first offense. For all subsequent offenses the penalty is 1 month's benefits for each month for which benefits are to be withheld. This penalty provision for offenses after the first can produce unduly harsh results.

It is proposed that the penalties for second and subsequent offenses be similar to the penalties for second and subsequent failures to report earnings for purposes of the retirement test—that is, the penalty for a second failure to report would generally be 2 months' benefits, and the penalty for a third or subsequent failure would generally be 3 months' benefits. However, as under the provisions for second and subsequent failures to report earnings, in no case would the amount of the penalty exceed the amount of benefits withheld on account of work or failure to have a child in one's care. Thus where only 1 month’s benefit is to be withheld the penalty for a second or subsequent failure would be 1 month's benefit, and where only 2 months' benefits are to be withheld the penalty for a third or subsequent failure would be 2 months' benefits. Generally, the penalty for a second offense would be more stringent than the penalty for a first offense and the penalty for a third offense would be more stringent than the penalty for a second offense.

These changes would be effective upon enactment of the bill.

(j) Limitation on payment of benefits to aliens outside the United States

Under present law, benefits may not be paid to certain aliens after they have been outside the United States for 6 consecutive calendar months. The bill would provide that an alien who has been outside the United States for 30 consecutive days would be considered to be outside the United States until he has been in the United States for 30 consecutive days. Thus, once a alien has been out of the United States for 30 days his benefits would stop 6 months after he left the United States unless he returns to the United States for 30 consecutive days. Under present law, an alien's benefit payments are con-
continued if he returns to the United States for 1 day before the end of the 6-month period.

Under present law, however, benefit payments to aliens who are outside the United States for more than 6 months are not stopped if they have 40 quarters of coverage or if they have resided in the United States for 10 years or more. The bill would provide that these exceptions would not apply to aliens who are citizens of a country that has a social insurance or pension system of general applicability under which benefit payments are not paid to otherwise eligible Americans while they are outside of that country. Also, the provision would not apply to citizens of foreign countries that do not have a social insurance or pension system of general applicability if at any time within 5 years prior to the month of enactment or the first month thereafter his benefits are withheld because he is outside the United States and benefits to individuals in that country cannot be paid because of the Treasury ban on payments to Communist-controlled countries discussed below.

Under present law, the Department of the Treasury is authorized to withhold checks drawn against funds of the United States for delivery in a foreign country if that Department determines that there is no reasonable assurance that the payee will receive the check and will be able to negotiate it for full value. Under this authorization, social security benefit payments have been withheld from beneficiaries in certain Communist-controlled countries. When the beneficiary leaves the country in question, or when conditions in the country change so that the Treasury ban on payments in that country is lifted, retroactive payments covering the period are made to the beneficiary or, if he is dead, to his estate.

The bill would provide that if benefits for months after enactment would be withheld by the Department of the Treasury, the benefits would not be payable, and that past benefits that have been withheld from aliens would not be paid, in the event that payments are resumed, in excess of the last 12 months' benefits or to anyone other than the person from whom they have been withheld or a survivor who is entitled to benefits on the same earnings record.

(k) Transfer to Health Insurance Benefits Advisory Council of the functions of the National Medical Review Committee; increase in Council's membership

Four months after the enactment of the Social Security Amendments of 1965 the Secretary appointed, in accordance with the law, a 16-member Health Insurance Benefits Advisory Council to advise him on general administrative policy and the formulation of regulations. The Council consists of leaders from the health field, not otherwise employed by the Federal Government, and the general public; a majority of the members are physicians. The Council has been of substantial assistance in the policy development which had to occur with the enactment of the program.

Present law also provides for the Secretary to appoint a nine-member National Medical Review Committee to study the utilization of hospital services and other health and medical services covered by the program with an eye toward recommending changes in the way in which health services are used and modifications in the ad-
administration of the program or in the provisions of law relevant to the utilization of services. This Committee has not been established primarily because its effective operation requires the availability of experience under the new program to serve as a basis for study. The program has been in operation for 1 year and significant data on experience under it have not yet emerged.

Your committee believes that the functions of the two advisory groups are quite closely related and that it would be desirable to combine them in a single body by transferring the Committee's duties to the Health Insurance Benefits Advisory Council and by repealing the provisions authorizing the Secretary to appoint a National Medical Review Committee. Your committee's bill would also increase the membership of the Advisory Council from 16 to 19 members to provide the Council a broader base of experience for meeting its broadened responsibilities.

(1) Advisory council on social security and timing of reports

Under present law, the Secretary of Health, Education, and Welfare appoints the 12 members of the Advisory Council on Social Security and the Commissioner of Social Security serves as the Chairman of the Council. During the course of your committee's consideration of the bill, the Commissioner of Social Security suggested that it might be desirable for the Chairman of the Council, like the Council members, to be a person from outside the Government. The committee agrees, and under the bill the Secretary of Health, Education, and Welfare would appoint the Chairman in addition to appointing the other 12 members of the Council.

The bill would also change the schedule for appointing future Advisory Councils on Social Security. Under the bill, a Council would be appointed in February 1969 and every fourth year thereafter, rather than in 1968 and every fifth year thereafter as under present law. In addition, the bill would limit the time an Advisory Council has to report. Under the bill, the Council would have to report in 11 months—no later than January 1 of the year following their appointment, rather than January 1 of the second year after appointment as under present law.

(m) Reimbursement of civil service retirement annuitants for certain premium payments under supplementary medical insurance program

Your committee's bill would permit plans approved under the Federal Employees Health Benefits Act of 1959 to reimburse civil service retirement annuitants for amounts equal to the premiums paid under the supplementary medical insurance program, provided such reimbursement is financed from funds other than the contributions made by the Federal Government and the Federal employees toward the health benefit plan. Under most private insurance plans that have been modified to take account of the medical insurance protection available under medicare, the beneficiary pays an adjusted premium rate that reflects the modified protection he receives. In contrast, annuitants who have enrolled in a Federal employee health benefits plan and who enroll also in the supplementary medical insurance program are not likely to receive additional protection which is equivalent to the additional premiums they must pay. Since the Government plans,
unlike private plans, are unable under the Federal Employees Health Benefits Act of 1959 to develop provisions for coordination of their coverage with that provided by the supplementary medical insurance program, annuitants, unlike almost all other aged persons, receive no advantage from the supplementary medical insurance program. By permitting reimbursement of amounts equivalent to the supplementary medical insurance premiums, the bill would remedy these problems and would have the effect of encouraging such annuitants to enroll in the supplementary medical insurance program.

(n) Disclosure to courts of whereabouts of certain individuals

Under present law and regulations the Secretary furnishes, at the request of a State or local public assistance agency, the most recent address in the social security records of a parent (or his most recent employer, or both) who has failed to provide support for his destitute child or children if they are eligible for aid under a public assistance program.

The bill would provide an additional provision under which the Secretary would be required to furnish the most recent address of a deserting parent (or his most recent employer, or both), on request to a court having appropriate jurisdiction to issue orders against the parent for the support and maintenance of his children if the court certifies that the information is requested for its own use in issuing, or determining whether to issue, such an order. The information would be furnished to the court regardless of whether the children were applicants for or receiving assistance from a welfare agency. Your committee believes that assisting the courts in locating such parents may result in securing from the parents support for their children which would insure that such children would not have to apply for assistance under the Federal-State program of aid to families with dependent children. This provision is related to changes which your committee is recommending in the aid-to-families-with-dependent-children program discussed later in this report.

(o) Reports of the boards of trustees to Congress

Under the present law, the boards of trustees of the old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance trust funds must submit their reports on the status of each fund for the preceding fiscal year to the Congress by the following March 1. It is becoming increasingly difficult for the boards of trustees to meet the March 1 deadline because information which formerly was available in December is now not available until January. Under your committee's bill, the trustees would have 1 additional month in which to prepare the report, as it would not be due until April 1.

As noted earlier, your committee has become concerned with the rising costs of the disability insurance program. In examining the costs of that program, your committee became aware of rising costs under the old-age and survivors insurance program due to payments made to people with childhood disabilities. Because of the rise in the cost of these benefits and because the benefits to disabled widows that would be provided under the bill would be paid out of the Federal old-age and survivors insurance trust fund, the Congress needs to be kept informed of the cost trends as they develop. Accordingly, the bill
would require a separate actuarial analysis of all benefit expenditures made on account of disability payments.

(p) **General savings provision**

Under a saving clause provided in the bill, the benefit amounts payable to one or more members of a family who were on the benefit rolls in the month before the effective month of the benefit increase will not be reduced under the family maximum provisions of the law, if another family member (1) becomes entitled to benefits for the effective month of the benefit increase and (2) was made eligible for benefits by a provision of the bill. The newly entitled person will be entitled to a benefit equal to the benefit amount he would have gotten for the effective month of the benefit increase if there were no saving clause to protect the benefits of other members of the family—that is, he would get a benefit 12⅔ percent higher than he would have gotten if he had been on the rolls in the previous month. Thus the provision would allow families now getting benefits limited by the family maximum provision to get additional benefits, which would not otherwise be payable, in cases where an additional member of the family qualifies for benefits as a result of a change made by the bill.

8. Financing provisions

(a) **Increase in the contribution and benefit base**

The proposed increase in the contribution and benefit base would not only provide higher future benefits at higher earnings levels, but would also help to finance the changes made by the bill. When the contribution and benefit base is raised, an increase in the base results in a reduction in the overall cost of the social security program as a percent of taxable payroll. This occurs because the benefits provided are a higher percentage of earnings at the lower levels than at the higher levels while the income is a flat percentage of earnings. When the base is increased, higher benefits are provided on the basis of the higher earnings that are taxed and credited, but the cost of providing these higher benefits is less than the additional income from the contributions on earnings above the former maximum and up to the new maximum amount.

(b) **Changes in the contribution rates**

Consistent with the policy of maintaining the program on a financially sound basis that has always been followed in the past, the bill would make full provision for meeting the cost of the improvements it would make in the program. At the present time, the social security program as a whole has a significantly favorable actuarial balance although the disability insurance program has an actuarial deficiency; that is, it is expected that over the long-range future the income to the program will considerably exceed the costs of the program. It is possible to meet about three-fifths of the cost of the recommended cash benefit changes from the present favorable balance of that part of the program. The remainder of the cost of the proposed changes would be met through an increase in the contribution rates for the program, as well as in the maximum amount of annual earnings subject to the tax and used in computing benefits.

Under the schedule of old-age, survivors, and disability insurance contribution rates that your committee recommends (shown below), the employee-employer rate scheduled for 1969-70 would be decreased
by 0.2 percent, from 4.4 percent each to 4.2 percent each. The rate scheduled for 1969 under present law (4.4 percent each) would be increased by 0.2 percent, to 4.6 percent each. After 1972, the employee-employer contribution rate would be 5 percent each instead of 4.85 percent each as under present law.

For the self-employed, the rate scheduled for 1969–70 for the cash benefit part of the program (5.9 percent) would be decreased by 0.3 percent, to 6.3 percent. The rate scheduled for 1971–72 (6.6 percent) would be increased by 0.3 percent, to 6.9 percent. This rate would remain in effect until 1973, at which time the increase to 7.0 percent scheduled under present law would go into effect.

Your committee also recommends changes in the contribution rate schedules for the hospital insurance program. The contribution rate scheduled for 1969–72 would be increased by 0.1 percent (from 0.5 percent to 0.6 percent). The rate scheduled for 1973–75 under present law (0.55 percent) would be increased to 0.65 percent.

The present rate for 1976–79 would be increased from 0.6 percent to 0.7 percent, and for 1980–86 from 0.7 percent to 0.8 percent. The contribution rate for 1987 and after would be 0.9 percent, instead of 0.8 percent as under present law.

The contribution rate schedules under present law and under the bill are as follows:

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<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>3.9</td>
<td>3.9</td>
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</tr>
<tr>
<td>1968</td>
<td>3.9</td>
<td>3.9</td>
<td>0.5</td>
</tr>
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<td>1969–70</td>
<td>4.4</td>
<td>4.4</td>
<td>0.5</td>
</tr>
<tr>
<td>1971–72</td>
<td>4.4</td>
<td>4.4</td>
<td>0.5</td>
</tr>
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<td>1973–75</td>
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<td>1976–79</td>
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<td>0.6</td>
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<td>1980–86</td>
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</tr>
<tr>
<td>1987 and after</td>
<td>4.85</td>
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</tr>
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</table>

<table>
<thead>
<tr>
<th>Period</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Committee</td>
<td>Present</td>
</tr>
<tr>
<td>1967</td>
<td>5.9</td>
<td>5.9</td>
<td>0.5</td>
</tr>
<tr>
<td>1968</td>
<td>5.9</td>
<td>5.9</td>
<td>0.5</td>
</tr>
<tr>
<td>1969–70</td>
<td>6.6</td>
<td>6.9</td>
<td>0.5</td>
</tr>
<tr>
<td>1971–72</td>
<td>6.6</td>
<td>6.9</td>
<td>0.5</td>
</tr>
<tr>
<td>1973–75</td>
<td>7.0</td>
<td>7.0</td>
<td>0.6</td>
</tr>
<tr>
<td>1976–79</td>
<td>7.0</td>
<td>7.0</td>
<td>0.6</td>
</tr>
<tr>
<td>1980–86</td>
<td>7.0</td>
<td>7.0</td>
<td>0.7</td>
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<tr>
<td>1987 and after</td>
<td>7.0</td>
<td>7.0</td>
<td>0.8</td>
</tr>
</tbody>
</table>

9. Actuarial cost estimates for the hospital insurance system

(a) Summary of actuarial cost estimates

The hospital insurance system, as modified by your committee’s 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 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 is 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, your committee believes that the present cost estimates are made under conservative assumptions with respect to all foreseeable factors.

The present cost estimates are based on considerably higher assumptions as to hospital costs than were the original estimates, which were prepared in 1965 at the time that the system was established. At that time, the sharp increases that have occurred in such costs in 1966–67 were not generally predicted by experts in the field. The current assumptions are based on the testimony of several experts, as will be discussed subsequently.

These cost estimates also contain revised assumptions as to the initial level of earnings in 1966 and as to future interest-rate trends. These assumptions are the same as those used in the revised cost estimates for the old-age, survivors, and disability insurance system, described elsewhere in this report. Also, the new cost estimates for the hospital insurance system are based on the revised estimates of beneficiaries aged 65 and over under the old-age, survivors, and disability insurance program. The latter show somewhat fewer aged beneficiaries relative to the covered population with respect to whom contributions are payable; accordingly, the cost of the hospital insurance system is reduced on account of this factor (although only partly offsetting the effect of hospital-cost trend assumptions).

The new cost estimates contain the assumption that, in the intermediate-cost estimate, administrative expenses will be 3½ percent of the benefit payments, which is the anticipated experience in 1967–68 (as against the assumption of 3 percent in the original estimates). The administrative expenses for the low-cost and high-cost estimates are taken to be the same as in the intermediate-cost estimate.

The new cost estimates also take into account the small additional cost arising from the reimbursement bases for hospitals and extended care facilities that are now in effect being somewhat higher than was assumed in the original cost estimates.

(b) Financing policy

(1) Financing basis of committee bill

The contribution schedule contained in your committee's bill for the hospital insurance program, under a $7,600 taxable earnings base beginning in 1968, is as follows, as compared with that of present law:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Combined employer-employee rate</th>
<th>Self-employed rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Committee bill</td>
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<tr>
<td>1967–68</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>1969–72</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>1973–75</td>
<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>1976–79</td>
<td>1.2</td>
<td>1.4</td>
</tr>
<tr>
<td>1980–86</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>1987 and after</td>
<td>1.6</td>
<td>1.8</td>
</tr>
</tbody>
</table>
The combined employer-employee rate would be the same in 1968 under your committee's bill as under present law and 0.2 percent higher in 1969 and thereafter. These increases, along with the additional income from the higher earnings base, would finance the increased cost of the present program that results from the higher hospitalization-cost assumptions used in the current estimates, as compared with those used when the program was initiated in 1965.

The hospital insurance program is completely separate from the old-age, survivors, and disability insurance system in several ways, although the earnings base is 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, income tax withholding statements (forms W-2) 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, the hospital insurance program covers railroad employees directly in the same manner as other covered workers, and their benefit payments are 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). 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).

(2) Self-supporting nature of system

Just as has always been the case in connection with the old-age, survivors, and disability insurance system, your committee has very carefully considered the cost aspects of the present hospital insurance system and proposed changes therein. In the same manner, your committee believes that this program should be completely self-supporting from the contributions of covered individuals and employers (the transitional uninsured group covered by this program have their benefits, and the resulting administrative expenses, completely financed from general revenues). Accordingly, your 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, and thus 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 another 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 a new program such as hospital insurance, it seems desirable to your committee that the program should be completely in actuarial balance. In order to accomplish this result, your committee has revised the contribution schedule to meet this requirement, according to the underlying cost estimates.

(c) Hospitalization data and assumptions

(1) Past increases in hospital costs and in earnings.

Table A 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 1966.

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Increase over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average wages in covered employment</td>
</tr>
<tr>
<td>1955</td>
<td>3.8</td>
</tr>
<tr>
<td>1956</td>
<td>5.7</td>
</tr>
<tr>
<td>1957</td>
<td>5.5</td>
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<tr>
<td>1958</td>
<td>3.3</td>
</tr>
<tr>
<td>1959</td>
<td>3.3</td>
</tr>
<tr>
<td>1960</td>
<td>4.3</td>
</tr>
<tr>
<td>1961</td>
<td>3.1</td>
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<tr>
<td>1962</td>
<td>4.2</td>
</tr>
<tr>
<td>1963</td>
<td>2.4</td>
</tr>
<tr>
<td>Average for 1954-63</td>
<td>4.0</td>
</tr>
<tr>
<td>1964</td>
<td>6.9</td>
</tr>
<tr>
<td>1965</td>
<td>7.0</td>
</tr>
<tr>
<td>1966</td>
<td>11.0</td>
</tr>
</tbody>
</table>

1 Data are for fiscal years ending in September of year shown.

2 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 hospital costs are based on a series of average daily expense per patient day (including not only room and board,
but also other inpatient charges and other expenditures of hospitals) prepared by the American Hospital Association.

The annual increases in earnings fluctuated somewhat over the 10-year period up through 1963, although there were not 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 fluctuated from year to year during this period, around the average annual rate of 6.7 percent.

During the period 1954-63, hospital costs increased at a faster rate than earnings. The differential between these two rates of increase 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.

In 1964 and 1965, the increase in hospital costs as compared to the increase in wages resulted in differentials somewhat in excess of the 2.7 percent applicable in 1954-63. In 1966, however, hospital costs increased sharply, and the differential rose to 6.6 percent. The 1967 experience to date shows a slightly higher rate of increase in hospital costs than did 1966.

Your 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.

(2) Effect on cost estimates of rising hospital costs

A major consideration in making cost estimates for hospital benefits, then, is how long and to what extent the 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 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 oppo-
site—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 is concerned). The reason for this result is that hospital costs rise at least at the same rate over the long run as the total earnings level, whereas the contribution income rises less rapidly than the total earnings level, unless the earnings base is kept up to date.

For these reasons, the following cost estimates are based on the assumption that both hospital costs and wages will increase in the future for the entire 25-year period considered, while at the same time the earnings base will not change from $7,600 proposed in your committee's bill. The fact that the cost-sharing provisions (the initial hospital deductible and the coinsurance features) are on a dynamic basis which varies with hospital costs is taken into account as not requiring a higher cost estimate than would be needed if static conditions were assumed.

(3) Assumptions as to relative trends of hospital costs and earnings underlying cost estimate for committee bill

As indicated previously, your committee very strongly believes that the financing basis of the hospital insurance program should be developed on a conservative basis. For the reasons brought out, 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 what the trend of medical costs and what hospital-utilization and medical-practice trends will be in the distant future.

Several estimates of the short-term future trend of hospital costs have been made by experts in this field. All of these are well above the rate of 5.7 percent per year until 1970 that was assumed in the initial cost estimates for the program made when it was enacted in 1965. The American Hospital Association has estimated an annual rate of increase of as much as 15 percent for the next 3 to 5 years. The Blue Cross Association has a corresponding estimate of 9 percent per year in the period up to 1970.

Three sets of assumptions as to the short-term trend of hospital costs have been made for the cost estimates presented here. These are shown in table B. In each case, the annual rates of increase are assumed to merge with those used in the initial cost estimates for the program for 1971 for the low-cost and intermediate-cost assumptions and 1973 for the high-cost assumptions—namely, increases slightly above the increases in the earnings level from these dates until about 1975, and then the same increases. The low-cost set of assumptions yields about the same result as the Blue Cross prediction, while the
high-cost set corresponds to the highest American Hospital Association prediction. The intermediate-cost set is used to develop the financing provisions of your committee's bill.

**TABLE B.—ASSUMPTIONS AS TO FUTURE RATES OF INCREASE IN HOSPITAL COSTS**

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Low-cost</th>
<th>Intermediate-cos t</th>
<th>High-cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>12.0</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>1968</td>
<td>10.0</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>1969</td>
<td>8.0</td>
<td>10.0</td>
<td>15.0</td>
</tr>
<tr>
<td>1970</td>
<td>6.0</td>
<td>6.0</td>
<td>15.0</td>
</tr>
<tr>
<td>1971</td>
<td>5.2</td>
<td>5.2</td>
<td>15.0</td>
</tr>
<tr>
<td>1972</td>
<td>4.6</td>
<td>4.6</td>
<td>10.0</td>
</tr>
<tr>
<td>1973</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>1974</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>1975 and after</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

**4) Assumptions as to hospital utilization rates underlying cost estimates for committee bill**

The hospital utilization assumptions for the cost estimates in this report are 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 your committee's bill are the same as those used in the initial cost estimates for the program. Analysis of the actual experience for the first 6 months of operation (the last half of 1966), for which complete data are not yet available, seems to indicate that it is close to the original assumptions.

**5) Assumptions as to hospital per diem rates underlying cost estimates for committee bill**

The average daily cost of hospitalization that is used in these cost estimates is computed on the same basis as the corresponding figures in the initial cost estimates that were prepared when the legislation was enacted in 1965. Specifically, an average of about $38.50 per day was used for 1966 and was projected for future years in the manner described previously. Analysis of the experience for 1966, for which complete data are not yet available, indicates that this assumption was close to what actually occurred.

**d) Results of cost estimates**

**1) Summary of cost estimate for committee bill**

Under the intermediate-cost assumptions as to the future trend of hospital costs, the level-cost of the benefits and administrative expenses under present law is estimated at 1.47 percent of taxable payroll. If the low-cost assumptions were used, the corresponding figure is 1.34 percent of taxable payroll, while under the high-cost estimate,
it is 2.27 percent of taxable payroll. In each instance, the level-equivalent of the graded contribution schedule is 1.23 percent of taxable payroll, so that there is a lack of actuarial balance under present law, using the revised estimates of hospital cost trends and the other revised cost factors, amounting to 0.24 percent of taxable payroll for the intermediate-cost estimate (0.11 percent of taxable payroll for the low-cost estimate and 1.04 percent of taxable payroll for the high-cost estimate). It may be noted that if the only change made in the program were to increase the earnings base to $7,600, then the program would be in almost exact actuarial balance according to the low-cost assumptions.

Under your committee's bill, there would be additional financing for the program, both through the increase in the earnings base to $7,600, effective in 1968, and through increasing the rates in the contribution schedule. The changes in the benefit provisions would have a relatively small effect on costs. Under the intermediate-cost estimate, the level-cost of the benefits and administrative expenses would be decreased from 1.47 percent of taxable payroll under present law to 1.46 percent of taxable payroll under your committee's bill when measured on a $6,600 earnings base, but when measured against the $7,600 earnings base in your committee's bill, it would be brought back to 1.35 percent of taxable payroll. Thus, the new contribution schedule (which has a level-equivalent value of 1.41 percent of taxable payroll) would, under the intermediate-cost estimate, adequately finance the revised benefits and, in fact, would leave a small positive actuarial balance.

(2) Level-costs of hospital and related benefits

Table C shows changes in the actuarial balance of the hospital insurance system, expressed in terms of estimated level-costs as a percentage of taxable payroll (measured over the 25-year period, beginning January 1, 1966, which was the inception date of the program insofar as contribution collections are concerned), resulting from the changes made by your committee's bill. It should be recognized that the vast majority of the level-cost of the benefit payments relates to inpatient hospital benefits. Most of the remaining cost is attributable to extended care facility benefits, with home health service benefits representing only a small portion. Currently, inpatient hospital benefits account for about 95 percent of total benefit outgo. In later years, it seems quite possible that there will be much greater use of posthospital extended care services and posthospital home health services (particularly the former), thus tending to reduce the use of hospitals and, therefore, the cost of the inpatient hospital benefits.

The estimated level-cost of the system is reduced by 0.01 percent of taxable payroll as a result of transferring the outpatient diagnostic benefits to the supplementary medical insurance system. The estimated level-cost of extending the maximum duration of the inpatient hospital benefits from 90 days to 120 days is less than 0.01 percent of taxable payroll. The other changes in the benefit provisions of this program would not have any significant effect on the long-range costs.
TABLE C.—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, PRESENT LAW AND COMMITTEE BILL, BASED ON 3.75 PERCENT INTEREST

<table>
<thead>
<tr>
<th>Level-cost of benefit payments, present law:</th>
<th>Level-cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original estimate</td>
<td>1.23</td>
</tr>
<tr>
<td>Revised estimate</td>
<td>1.47</td>
</tr>
</tbody>
</table>

Increase in earnings base: -0.11
Transfer of outpatient diagnostic benefits to SMI: -0.01
Increase in maximum duration of inpatient benefits: -0.00
Revised contribution schedule: -0.18

Total effect of changes in bill: -0.30

As indicated previously, one of the most important assumptions in the cost estimates presented herein is that the earnings base is assumed to remain unchanged after it increases to $7,600 in 1968, even though for the remainder of 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 your committee's bill. In fact, if this were to occur, the steps in the contribution schedule beyond the combined employer-employee rate of 1.2 percent would not be needed.

The cost for the persons who are 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 D shows the estimated operation of the hospital insurance trust fund under your committee's bill and under present law under the intermediate-cost estimate. According to this estimate, under your committee's bill the balance in the trust fund would grow steadily in the future, increasing from about $1.1 billion at the end of 1966 to $4.0 billion 5 years later; over the long range, the trust fund would build up steadily, reaching $22.5 billion in 1990 (representing the disbursements for 2.0 years at the level of that time).

Under the intermediate-cost estimate for present law, the hospital insurance trust fund increases in 1967-68, reaching a peak of $1.8 billion at the end of 1968; then, it decreases, being exhausted in 1972. This trend results from the assumption that hospital costs are now hypothesized to rise much more rapidly than in the initial cost estimates for the program that were made in 1965, which showed the system to be in exact actuarial balance.
### Table D.—Estimated Progress of Hospital Insurance Trust Fund Intermediate-Cost Estimate

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual data</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1966</td>
<td>$1,911</td>
<td>$783</td>
<td>$57</td>
<td>$34</td>
<td>$1,105</td>
</tr>
<tr>
<td></td>
<td>Estimated data, committee bill</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1966</td>
<td>$2,943</td>
<td>$2,437</td>
<td>$80</td>
<td>$52</td>
<td>$1,573</td>
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<tr>
<td>1967</td>
<td>$3,157</td>
<td>$2,372</td>
<td>$102</td>
<td>$69</td>
<td>$1,960</td>
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<tr>
<td>1968</td>
<td>$4,120</td>
<td>$3,259</td>
<td>$137</td>
<td>$92</td>
<td>$2,726</td>
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<tr>
<td>1969</td>
<td>$4,138</td>
<td>$3,657</td>
<td>$129</td>
<td>$121</td>
<td>$3,410</td>
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<tr>
<td>1970</td>
<td>$4,518</td>
<td>$3,951</td>
<td>$138</td>
<td>$145</td>
<td>$3,284</td>
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<tr>
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<td>$4,480</td>
<td>$4,244</td>
<td>$149</td>
<td>$162</td>
<td>$4,433</td>
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<td>1972</td>
<td>$5,116</td>
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<td>$5,133</td>
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<tr>
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<td>$4,830</td>
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<td>$204</td>
<td>$5,780</td>
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<tr>
<td>1974</td>
<td>$6,271</td>
<td>$5,124</td>
<td>$179</td>
<td>$222</td>
<td>$6,726</td>
</tr>
<tr>
<td>1975</td>
<td>$7,962</td>
<td>$6,632</td>
<td>$232</td>
<td>$368</td>
<td>$10,818</td>
</tr>
<tr>
<td>1976</td>
<td>$9,103</td>
<td>$8,517</td>
<td>$298</td>
<td>$603</td>
<td>$16,688</td>
</tr>
<tr>
<td>1977</td>
<td>$11,441</td>
<td>$10,943</td>
<td>$380</td>
<td>$818</td>
<td>$22,491</td>
</tr>
<tr>
<td></td>
<td>Estimated data, present law</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>$2,943</td>
<td>$2,437</td>
<td>$80</td>
<td>$52</td>
<td>$1,573</td>
</tr>
<tr>
<td>1968</td>
<td>$3,157</td>
<td>$2,372</td>
<td>$103</td>
<td>$64</td>
<td>$1,753</td>
</tr>
<tr>
<td>1969</td>
<td>$3,274</td>
<td>$3,349</td>
<td>$117</td>
<td>$62</td>
<td>$1,675</td>
</tr>
<tr>
<td>1970</td>
<td>$3,394</td>
<td>$3,678</td>
<td>$129</td>
<td>$48</td>
<td>$1,766</td>
</tr>
<tr>
<td>1971</td>
<td>$3,516</td>
<td>$3,973</td>
<td>$139</td>
<td>$25</td>
<td>$1,899</td>
</tr>
<tr>
<td>1972</td>
<td>$3,637</td>
<td>$4,269</td>
<td>$149</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>1973</td>
<td>$4,100</td>
<td>$4,564</td>
<td>$160</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>1974</td>
<td>$4,770</td>
<td>$4,834</td>
<td>$170</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>1975</td>
<td>$4,405</td>
<td>$5,103</td>
<td>$180</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>1976</td>
<td>$6,279</td>
<td>$6,679</td>
<td>$233</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>1977</td>
<td>$7,733</td>
<td>$8,560</td>
<td>$302</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>1978</td>
<td>$9,172</td>
<td>$10,905</td>
<td>$382</td>
<td>( )</td>
<td>( )</td>
</tr>
</tbody>
</table>

1 Including administrative expenses incurred in 1965.

2 Fund exhausted in 1972.

Note: The transactions relating to the noninsured persons, the costs for whom is borne out of the general funds of the Treasury, are not included in the above figures. The actual disbursements in 1966, and the balance in the trust fund at the end of the year, have been adjusted by an estimated $158 million on this account.

In calendar year 1968, benefit disbursements under your committee's bill, according to the intermediate-cost estimate, would be about $20 million less than under present law (because the transfer of the outpatient diagnostic benefits to the supplementary medical insurance program reduces outgo more than the changes increasing the cost of the program increase outgo). At the same time, as a result of the increase in the taxable earnings base to $7,600, contribution income under your committee's bill would be about $180 million higher than under present law.

Table E shows the estimated operation of the hospital insurance trust fund under your committee's bill under the low-cost and high-cost estimates. Under the low-cost estimate the balance in the trust fund grows steadily, reaching $10 billion in 1975 and $43.7 billion in 1990 (at which time it represents the disbursements for 4.3 years). In actual practice, if the low-cost assumptions materialize, it would not be necessary to increase the contribution rates as much after 1972 as is done in your committee's bill.
Under the high-cost estimate, which represents probably the most extreme situation from a high-cost standpoint in regard to hospital costs, the balance in the trust fund under your committee's bill reaches a maximum of $2.7 billion at the end of 1970 and then decreases until being exhausted in 1974. This estimate indicates that, despite very high assumptions as to the trend of hospital costs, the system would have sufficient funds to maintain operations for at least 5 years under these circumstances, without changing the financing provisions.

**TABLE E.—ESTIMATED PROGRESS OF HOSPITAL INSURANCE TRUST FUND, UNDER SYSTEM AS MODIFIED BY COMMITTEE BILL, LOW-COST AND HIGH-COST ESTIMATES**

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit Payments</th>
<th>Administrative expenses</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-cost estimate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>$2,943</td>
<td>$2,366</td>
<td>$30</td>
<td>$54</td>
<td>$1,646</td>
</tr>
<tr>
<td>1968</td>
<td>$3,332</td>
<td>$2,609</td>
<td>$10</td>
<td>$17</td>
<td>$2,159</td>
</tr>
<tr>
<td>1969</td>
<td>$4,129</td>
<td>$3,019</td>
<td>$117</td>
<td>$113</td>
<td>$3,258</td>
</tr>
<tr>
<td>1970</td>
<td>$4,348</td>
<td>$3,213</td>
<td>$128</td>
<td>$160</td>
<td>$4,425</td>
</tr>
<tr>
<td>1971</td>
<td>$4,518</td>
<td>$3,579</td>
<td>$138</td>
<td>$200</td>
<td>$5,426</td>
</tr>
<tr>
<td>1972</td>
<td>$4,680</td>
<td>$3,844</td>
<td>$149</td>
<td>$235</td>
<td>$6,429</td>
</tr>
<tr>
<td>1973</td>
<td>$5,216</td>
<td>$4,111</td>
<td>$159</td>
<td>$275</td>
<td>$7,570</td>
</tr>
<tr>
<td>1974</td>
<td>$5,442</td>
<td>$4,375</td>
<td>$169</td>
<td>$318</td>
<td>$8,786</td>
</tr>
<tr>
<td>1975</td>
<td>$5,627</td>
<td>$4,641</td>
<td>$179</td>
<td>$357</td>
<td>$9,950</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High-cost estimate</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$2,943</td>
<td>$2,437</td>
<td>$30</td>
<td>$52</td>
<td>$1,573</td>
</tr>
<tr>
<td>1968</td>
<td>$3,332</td>
<td>$2,912</td>
<td>$102</td>
<td>$69</td>
<td>1,900</td>
</tr>
<tr>
<td>1969</td>
<td>$4,129</td>
<td>$3,494</td>
<td>$117</td>
<td>$87</td>
<td>2,556</td>
</tr>
<tr>
<td>1970</td>
<td>$4,348</td>
<td>$4,194</td>
<td>$128</td>
<td>$98</td>
<td>2,655</td>
</tr>
<tr>
<td>1971</td>
<td>$4,518</td>
<td>$4,906</td>
<td>$138</td>
<td>$84</td>
<td>2,750</td>
</tr>
<tr>
<td>1972</td>
<td>$4,680</td>
<td>$5,650</td>
<td>$149</td>
<td>$65</td>
<td>1,984</td>
</tr>
<tr>
<td>1973</td>
<td>$5,216</td>
<td>$6,042</td>
<td>$159</td>
<td>$99</td>
<td>1,191</td>
</tr>
<tr>
<td>1974</td>
<td>$5,442</td>
<td>$6,430</td>
<td>$169</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1975</td>
<td>$5,627</td>
<td>$6,841</td>
<td>$179</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1 Fund exhausted in 1974.

Note: The transactions relating to the uninsured persons, the costs for whom are borne out of the general funds of the Treasury, are not included in the above figures.

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

Hospital and related benefits are provided 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 is provided to any person aged 65 before 1967 who is not eligible as an old-age, survivors, and disability insurance or railroad retirement beneficiary, except for certain active and retired Federal employees who are eligible (or had the opportunity of being eligible) for similar protection under the Federal Employees Health Benefits Act of 1959 and except for certain short-residence aliens.

Under present law, persons meeting such conditions who attain age 65 before 1968 also 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, 3 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., 6 quarters of coverage for attainment of age 65 in 1968, 9 quarters for 1969, etc.). This transitional provision "washes out" under present law 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.

Under your committee's bill, these requirements for noninsured persons would be liberalized. Such persons attaining age 65 in 1968 would need only 3 quarters of coverage, 1969 attainments would need only 6 quarters of coverage, etc. The "wash out" points would be for men attaining age 65 in 1975 and women attaining age 65 in 1974. This change would make an additional 5,000 persons who attain age 65 in 1968 eligible for hospital benefits.

The benefits for the noninsured group would be paid from the hospital insurance trust fund, but with simultaneous reimbursement therefrom of the general fund of the Treasury on a current basis, or with appropriate interest adjustment.

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

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>Present law</th>
<th>Committee bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968 (last 6 months, estimate based on actual experience)</td>
<td>$170</td>
<td>$170</td>
</tr>
<tr>
<td>1969</td>
<td>$375</td>
<td>$375</td>
</tr>
<tr>
<td>1970</td>
<td>$402</td>
<td>$409</td>
</tr>
<tr>
<td>1971</td>
<td>$396</td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The estimated cost to the general fund of the Treasury decreases slowly after 1969 for the closed group involved. Offsetting, in large part, the decline in the number of eligibles blanketed-in are the factors, the increasing hospital utilization per capita as the average age of the group rises and the increasing hospital costs in future years.

10. Actuarial cost estimates for the voluntary supplementary medical insurance system

(a) Summary of actuarial cost estimates

Your committee's bill has expanded somewhat the protection provided by the supplementary medical insurance program. The only changes that are significant from a cost standpoint are the transfer of the outpatient diagnostic benefits from the hospital insurance program to this program (except for the professional component thereof, which has always been included in the supplementary medical insurance program) and making the deductible and coinsurance provisions inapplicable to the professional component of pathology and radiology services furnished to inpatients in hospitals.

The increase in cost for these changes, which would be effective after December 1967, will be recognized by the Secretary of Health, Education, and Welfare in his determination of the standard premium rate for 1968-69, which in accordance with the provisions of present law will be promulgated before October 1, 1967.
(b) Financing policy

(1) Self-supporting nature of system

Coverage under supplementary medical insurance can be voluntarily elected, on an individual basis, by virtually all persons aged 65 and over in the United States. This program is intended to be completely self-supporting from the premiums of enrolled individuals and from the equal-matching contributions from the general fund of the Treasury. For the initial period, July 1966 through December 1967, the premium rate is established at $3 per month, so that the total income of the system per participant per month is $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. The standard monthly premium rate can be adjusted for future years after 1967 so as to reflect the expected experience, including an allowance for a margin for contingencies. All financial operations for this program are handled through a separate fund, the supplementary medical insurance trust fund.

Present law also provides for the establishment of an advance appropriation from the general fund 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 fund of the Treasury) times the number of individuals who were estimated to be eligible for participation in July 1966. This amount, which is approximately $345 million (of which $100 million has actually been appropriated), has not actually been transferred to the trust fund and will not be transferred unless, and until, some of it would be needed. This contingency amount is available only during the first 18 months of operations (July 1966 through December 1967), and any amounts actually transferred to the trust fund would be subject to repayment to the general fund of the Treasury (without interest).

Under your committee’s bill, the availability of the contingency reserve would be extended for 2 years, through December 1969. It is anticipated that none of the authorized and appropriated funds will be needed, but your committee believes that it is desirable to take this action so that the premium rate to be established for 1968-69 can be set at an intermediate level, rather than at a level that is certain to be adequate even if experience follows the high estimates. It may be noted that it has not yet been possible to analyze, on an accrual basis, the actual experience for the first year of operation (July 1966 through June 1967), so as to determine whether and to what extent a contingency reserve has been built up. Your committee believes that there should be no need for any further extension of this contingency-reserve provision after 1969. By then, either sufficient contingency funds should be built up by the existing financing provisions, or else this will be able to be accomplished from the future premium rates being set at a proper level, based on adequate experience which will be available by that time.

(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).

(c) Results of cost estimates

Your committee's bill makes a number of changes in the benefit provisions of the supplementary medical insurance program, of which some expand the scope of the program, whereas several limit it slightly. The only changes which have a significant cost effect are (1) the inclusion of all outpatient diagnostic services and (2) the elimination of the cost-sharing for the professional component of inpatient pathology and radiology services. Relative to the current $6 monthly premium rate (for the participant and the Government combined), the increased cost for the former represents a cost of $.12 per month, while the latter represents a cost of $.20 per month. The total cost of $.32 per month is equivalent to an annual cost of $67 million with respect to the 17½ million participants.

11. Actuarial cost estimates for the old-age, survivors, and disability insurance system

(a) Summary of actuarial cost estimates

The old-age, survivors, and disability insurance system, as modified by your committee's 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 your committee's bill shows a favorable actuarial balance of 0.04 percent of taxable payroll under the intermediate-cost estimate. This is, of course, very 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 your committee's bill, is actuarially sound.

The separate disability insurance trust fund, established under the 1956 act, shows exact actuarial balance under the provisions that would be in effect after enactment of your committee's bill, because the contribution rate allocated to this fund is exactly the same as the cost of the disability benefits, based on the intermediate-cost estimate. Accordingly, the disability insurance program, as it would be modified by your committee's bill, is actuarially sound.

(b) Financing policy

(1) Contribution rate schedule for old-age, survivors, and disability insurance in bill

The contribution schedule for old-age, survivors, and disability insurance contained in your committee's bill, as to the combined em-
The employer-employee rate, is the same as that under present law in 1968, is lower by 0.4 percent in 1969-70, is higher by 0.4 percent in 1971-72, and is higher by 0.3 percent in 1973 and thereafter. The maximum earnings base to which these tax rates are applied is $7,600 per year for 1968 and after under your committee’s bill as compared with $6,600 under present law. These tax schedules are as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Combined employer-employee rate</th>
<th>Self-employed rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Committee bill</td>
</tr>
<tr>
<td>1967</td>
<td>7.8</td>
<td>7.8</td>
</tr>
<tr>
<td>1968</td>
<td>7.8</td>
<td>5.9</td>
</tr>
<tr>
<td>1969-70</td>
<td>8.2</td>
<td>5.9</td>
</tr>
<tr>
<td>1971-72</td>
<td>8.2</td>
<td>6.3</td>
</tr>
<tr>
<td>1973 and after</td>
<td>9.7</td>
<td>6.9</td>
</tr>
</tbody>
</table>

The allocated rates to the two trust funds that are applicable to the combined employer-employee contribution rate for your committee’s bill, as compared with present law, are as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Committee bill</td>
</tr>
<tr>
<td>1967</td>
<td>7.10</td>
<td>7.10</td>
</tr>
<tr>
<td>1968</td>
<td>7.10</td>
<td>6.85</td>
</tr>
<tr>
<td>1969-70</td>
<td>8.10</td>
<td>7.45</td>
</tr>
<tr>
<td>1971-72</td>
<td>8.10</td>
<td>8.25</td>
</tr>
<tr>
<td>1973 and after</td>
<td>8.00</td>
<td>8.95</td>
</tr>
</tbody>
</table>

(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 very strongly believed that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen and thus 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 frequently not the case for well-administered private pension plans, which may not, as of the present time, 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 over the long-range period considered in the actuarial valuation. 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 during the period considered in the valuation. 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-range period considered in the valuation, 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.

Your 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 your committee's bill are in conformity with these financing principles.

(c) 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 1966. The use of 1966 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 1966 the aggregate amount of earnings taxable under the program was $314 billion. Of course, for future years the total taxable earnings are estimated to increase, because there will be larger numbers of covered workers. 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 both prior and subsequent experience. As a result, there will be a dip in the relative proportion of the aged from 1995 to about 2015, 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 taxable 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 your committee's bill such an individual would have a primary insurance amount of $126.50. If his earnings rate should be 50 percent higher (i.e. $450), his primary insurance amount would be $164.30. 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 42.2 percent of his earnings, whereas, when his
earnings increased to $450 per month, his primary insurance amount relative to his earnings decreased to 36.5 percent.

(3) General basis for short-range cost estimates

The short-range cost estimates (shown for the individual years 1967–72) 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 (about 3 percent per year), somewhat below 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 1967 Annual Report of the Board of Trustees (H. Doc. No. 65, 90th 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.

(5) Future earnings assumptions

The long-range estimates for the old-age, survivors, and disability insurance program are based on level-earnings assumptions, under which earnings levels of covered workers by age and sex will continue over the next 75 years at the levels experienced in 1966. This, however, does not mean that covered payrolls are assumed to be the same each year; rather, they will rise steadily as the covered 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). However, 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 fully with rising earnings 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 pre-1957 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. These financing provisions were modified by the 1965 amendments. 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 law. These reimbursements are intended to be made on the basis of a constant annual amount (as determined by the Secretary of Health, Education, and Welfare) for each trust fund payable
over the period up to the year 2015 (with such amount subject to adjustment every 5 years).

In actual practice, the Secretary of Health, Education, and Welfare determined initially that the annual amount for the three trust funds involved (old-age and survivors insurance, disability insurance, and hospital insurance) was $120 million. However, the Budget Document of the United States has contained requests for appropriations for only $105 million and, to date, the appropriations have been made by the Congress on that basis. Your committee deplores the fact that the Bureau of the Budget has not requested appropriation amounts based on the actuarial determination and urges that in the future such action will be taken.

(3) Reimbursement for costs of additional post-1967 military service wage credits

Under your committee's bill, individuals in active military service after 1967 will receive additional wage credits in excess of their cash pay (but within the maximum creditable earnings base) in recognition of their remuneration that is payable in kind (e.g., quarters and meals). These additional credits are at the rate of $100 per month. The additional costs that arise from these credits are to be financed from general revenues on an "actual disbursements cost" basis, with reimbursement to the trust funds on as prompt a basis as possible (and with interest adjustments to make up for any delay due to the time needed to make the necessary actuarial calculations from sample data and for the necessary appropriations to be made).

In many instances, the availability of these additional wage credits will not result in additional benefits because the individual will have maximum credited earnings without them or because the year in which such credits are granted will be a drop-out year in the computation of his average monthly wage. In the immediate-future years, the cost of these additional credits to the general fund will be relatively small (only a few million dollars a year) since there will be relatively few cases arising, almost all due to death and disability. After several decades, this cost might rise to as much as $100 million per year if the size of the uniformed services remains as large as at present—and, of course, a lower figure if such size is lower.

(d) Actuarial balance of program in past years

(1) Status after enactment of 1952 act

The actuarial balance under the 1952 act 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 I. 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).

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.
### TABLE 1—ACTUARIAL BALANCE OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM UNDER VARIOUS ACTS FOR VARIOUS ESTIMATES, INTERMEDIATE-COST BASIS

(Percent)

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Date of estimate</th>
<th>Level-equivalent 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Benefit costs 2</td>
<td>Contributions 3</td>
</tr>
<tr>
<td></td>
<td>Old-age, survivors, and disability insurance 4</td>
<td></td>
</tr>
<tr>
<td>1959 act...</td>
<td></td>
<td>9.22</td>
</tr>
<tr>
<td>1959 act...</td>
<td></td>
<td>9.22</td>
</tr>
<tr>
<td>(as amended</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the 1940's)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1959 act...</td>
<td></td>
<td>9.22</td>
</tr>
<tr>
<td>1960 act...</td>
<td></td>
<td>9.35</td>
</tr>
<tr>
<td>(75-year basis)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(perpetuity basis)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1963 act...</td>
<td></td>
<td>9.78</td>
</tr>
<tr>
<td>(75-year basis)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1963 act...</td>
<td></td>
<td>9.78</td>
</tr>
<tr>
<td>(perpetuity basis)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1963 act...</td>
<td></td>
<td>9.78</td>
</tr>
<tr>
<td>1967 bill (House)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old-age and survivors insurance 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1956 act...</td>
<td>1956</td>
<td>7.43</td>
</tr>
<tr>
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<td>1958</td>
<td>8.27</td>
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<td>8.52</td>
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<td>(perpetuity basis)</td>
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<td>1967</td>
<td>8.32</td>
</tr>
<tr>
<td>1967 bill (House)</td>
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<tr>
<td>Disability Insurance 4</td>
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<td></td>
</tr>
<tr>
<td>1966 act...</td>
<td>1956</td>
<td>0.42</td>
</tr>
<tr>
<td>1956 act...</td>
<td>1958</td>
<td>0.35</td>
</tr>
<tr>
<td>1958 act...</td>
<td>1960</td>
<td>0.49</td>
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<tr>
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<td>0.56</td>
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<tr>
<td>(perpetuity basis)</td>
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<tr>
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<tr>
<td>1965 act...</td>
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<tr>
<td>1966 act...</td>
<td>1967</td>
<td>0.49</td>
</tr>
<tr>
<td>1967 bill (House)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Expressed as a percentage of effective taxable payroll, including adjustment to reflect the lower contribution rate on self-employment income and on tips, 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.

2 Including adjustments (a) to reflect the lower contribution rate on self-employment income and on tips, 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 with the railroad retirement system.

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

4 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.

The major changes being in the revision of the contribution schedule; as of the beginning of 1956, the ultimate combined employer-employee rate scheduled was only 4 percent.

Note: The figures for the 1950 act and for the 1952 act according to the 1952 estimates have been revised as compared with those presented previously, so as to place them on a comparable basis with the later figures.
(2) Status after enactment of 1954 act

The 1954 amendments as passed by the House of Representatives contained an adjusted contribution schedule that not only met the increased cost of the benefit changes in the bill, but also reduced the aforementioned lack of actuarial balance to the point where, for all practical purposes, it was sufficiently provided for. The bill as it passed the Senate, however, contained several additional liberalized benefit provisions without any offsetting increase in contribution income. Accordingly, although the increased cost of the new benefit provisions was met, the "actuarial insufficiency" as then estimated for the 1952 act was left substantially unchanged under the Senate-approved bill. The benefit costs for the 1954 amendments as finally enacted fell between those of the House- and Senate-approved bills. Accordingly, 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. 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 supplemental benefits for certain dependents and modification of the insured status requirements.

(6) 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 of the disability provisions for 1956, which was the first full year of operation that did not involve picking up “backlog” 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.

(7) 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 0.25 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 had been 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 under the law in effect at that time was estimated to be in satisfactory actuarial balance even after such a reallocation).

(7) Status after enactment of 1965 act
The changes made by the 1965 amendments involved an increased cost that was closely met by the changes in their financing provisions (namely, an increase in the contribution schedule, particularly in the later years, and an increase in the earnings base). The actuarial balance of the program remained virtually unchanged.
In 1966, the cost estimates for the old-age, survivors, and disability insurance system were completely revised, based on the availability of new data since the last complete revision was made in 1963. The new estimates showed significantly lower costs for the old-age and survivors insurance portion of the system, but higher costs for the disability insurance portion. The factors leading to lower costs were as follows: (1) 1966 earnings levels, instead of 1963 ones; (2) an interest rate of 3% percent for the intermediate-cost estimate, instead of 3½ percent; (3) an assumption of greater future participation of women in the labor force (resulting in reduction in cost of the program because of the "anti-duplication of benefits" provision as between women's primary benefits and wife's or widow's benefits); (4) an assumption of less improvement in future mortality than had previously been assumed; and (5) an assumption that, despite a significant decline in future fertility rates, such decline would not occur as rapidly as had been assumed previously.

The cost of the disability insurance system was estimated to be significantly higher, as a result of increasing disability prevalence rates. This change seemed necessary to reflect the substantially larger number of disability beneficiaries coming on the roll with respect to disabilities occurring in 1964 and after, which experience had not been available in 1965 when the cost estimates for the legislation of that year were considered.

For more details on these revised cost estimates for the old-age, survivors, and disability insurance system, see *Actuarial Study No. 63* of the Social Security Administration, Department of Health, Education, and Welfare, January 1967.

(e) 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 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 your committee's bill is 3½ percent for the intermediate-cost estimate. This is somewhat above the average yield of the investments of the trust
funds at the end of 1966 (about 3.66 percent), but is below the rate currently being obtained for new investments (4.74 percent for June 1967).

3 Actuarial balance of OASDI system

Table I has shown that, according to the latest cost estimates made for the 1965 act, there is a very favorable actuarial balance for the combined old-age, survivors, and disability insurance system, but that there is a deficit of 0.15 percent of taxable payroll for the disability insurance portion, and a favorable balance of 0.89 percent of taxable payroll for the old-age and survivors insurance portion.

Under your committee's bill, the benefit changes proposed would be financed utilizing the existing favorable actuarial balance and by the increases in the contribution rates and the earnings base. In view of the very sizeable portion of the existing favorable actuarial balance that is being used to finance a large proportion of the benefit changes that would be made by your committee's bill, your committee believes that the resulting actuarial balance under any changes that are made should not be negative, and this condition is satisfied under your committee's bill.

Table II traces through the change in the actuarial balance of the system from its situation under present law, according to the latest estimate, to that under your committee's bill, by type of major changes involved, determined as of January 1, 1967.

<table>
<thead>
<tr>
<th>Item</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
<th>Total system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial balance of present system</td>
<td>+0.89</td>
<td>-0.15</td>
<td>+0.74</td>
</tr>
<tr>
<td>Increase in earnings base</td>
<td>+.21</td>
<td>+.02</td>
<td>+.23</td>
</tr>
<tr>
<td>Earnings test liberalization</td>
<td>-0.06</td>
<td>(0)</td>
<td>-0.06</td>
</tr>
<tr>
<td>Disabled widow's benefits at age 50</td>
<td>-0.03</td>
<td>(0)</td>
<td>-0.03</td>
</tr>
<tr>
<td>Special disability insured status under age 31</td>
<td>(0)</td>
<td>(0)</td>
<td>-0.07</td>
</tr>
<tr>
<td>Liberalized benefits with respect to women workers</td>
<td>-0.07</td>
<td>-0.10</td>
<td>-0.99</td>
</tr>
<tr>
<td>Benefit increase of 12½ percent</td>
<td>-0.09</td>
<td>+.25</td>
<td>+.24</td>
</tr>
<tr>
<td>Revised contribution schedule</td>
<td>+.01</td>
<td>+.15</td>
<td>-0.70</td>
</tr>
<tr>
<td>Total effect of changes in bill</td>
<td>+.85</td>
<td>+.15</td>
<td>-0.70</td>
</tr>
<tr>
<td>Actuarial balance under bill</td>
<td>+.04</td>
<td>.00</td>
<td>+.04</td>
</tr>
</tbody>
</table>

1 Less than 0.005 percent.
2 Not applicable to this program.

Several benefit-provision changes made by your committee's bill would have cost effects which are of a magnitude of less than 0.005 percent of taxable payroll when measured in terms of long-range level costs. Such changes involving small increases in cost are the liberalization of eligibility conditions for certain adopted children, the simplification of benefit computations based on 1937-50 wages, the reduction of the length-of-marriage requirement for survivor benefits, the liberalization of the offset provision for disability benefits when workmen's compensation benefits are also payable, and the reduction in the penalties for failure to file timely reports of earnings and other events. Such changes involving small decreases in cost are the maximum wife's
benefit of $105 per month and the additional limitations on payment of benefits to certain aliens outside the United States.

The changes made by your committee's bill would maintain the favorable actuarial position of the old-age, survivors, and disability insurance system. The estimated favorable actuarial balance of 0.04 percent of taxable payroll is inside the established limit within which the system is considered substantially in actuarial balance.

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.

(4) Level-costs of benefit payments, by type

The level-cost of the old-age and survivors insurance benefit payments (without considering administrative expenses, the railroad retirement financial interchange, and the effect of interest earnings on the existing trust fund) under the 1965 act, according to the latest intermediate-cost estimate, is 7.91 percent of taxable payroll, and the corresponding figure for the program as it would be modified by your committee's bill is 8.74 percent. The corresponding figures for the disability benefits are 0.83 percent for the 1965 act and 0.94 percent for your committee's bill.

Table III presents the benefit costs for the old-age, survivors, and disability insurance system as it would be after enactment of your committee's bill, separately for each of the various types of benefits.

TABLE III—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 COMMITTEE BILL, AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF BENEFIT, INTERMEDIATE-COST ESTIMATE AT 3.75 PERCENT INTEREST

<table>
<thead>
<tr>
<th>Item</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary benefits</td>
<td>6.01</td>
<td>0.75</td>
</tr>
<tr>
<td>Wife's and husband's benefits</td>
<td>.60</td>
<td>.05</td>
</tr>
<tr>
<td>Widow's and widower's benefits</td>
<td>1.27</td>
<td>(7)</td>
</tr>
<tr>
<td>Parent's benefits</td>
<td>.01</td>
<td>(9)</td>
</tr>
<tr>
<td>Child's benefits</td>
<td>.73</td>
<td>.14</td>
</tr>
<tr>
<td>Mother's benefits</td>
<td>.13</td>
<td>(7)</td>
</tr>
<tr>
<td>Lump-sum death payments</td>
<td>.09</td>
<td>(7)</td>
</tr>
<tr>
<td>Total benefits</td>
<td>8.74</td>
<td>.94</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>.12</td>
<td>.03</td>
</tr>
<tr>
<td>Railroad retirement financial interchange</td>
<td>.04</td>
<td>.02</td>
</tr>
<tr>
<td>Interest on existing trust fund</td>
<td>−.15</td>
<td>−.02</td>
</tr>
<tr>
<td>Net total level-cost</td>
<td>8.75</td>
<td>.95</td>
</tr>
</tbody>
</table>

1 Including adjustment to reflect the lower contribution rate on self-employment income and on tips, as compared with the combined employer-employee rate.
2 This type of benefit is not payable under this program.
3 This item includes reimbursement for additional cost of nontaxable credit for military service and is taken as an offset to the benefit and administrative expense costs.
The level contribution rate equivalent to the graded schedules in the law may be computed in the same manner as level costs of benefits. These are shown in table I, as are also figures for the net actuarial balances.

(5) OASI income and outgo in near future

Under your committee's bill, old-age and survivors insurance benefit disbursements for the calendar year 1968 will be increased by about $2.9 billion, since the effective dates for the benefit changes are the second month after the month of enactment, which is assumed to occur in the period September to October 1967. If enactment occurs in October, there will be no additional benefit outgo in 1967, while such additional outgo will be about $205 million for enactment in September. There will, of course, be no additional income during 1967, since the change in the earnings base is effective on January 1, 1968.

In calendar year 1968, benefit disbursements under the old-age and survivors insurance system as modified by your committee's bill will total about $23.2 billion. At the same time, contribution income for old-age and survivors insurance in 1968 will amount to about $24.3 billion under your committee's bill, or $0.2 billion more than under present law. Thus, benefit outgo under your committee's bill will be less than contribution income by about $1.1 billion, whereas under present law, the corresponding figure is about $3.8 billion. The size of the old-age and survivors insurance trust fund under your committee's bill will, on the basis of this estimate, increase by about $1.1 billion in 1968 (interest receipts are about the same as 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 $3.9 billion as between the beginning and the end of 1968.

The contribution income for the old-age and survivors insurance portion of the program increases by only $0.2 billion in 1968 under your committee's bill, as compared with present law. This results from the fact that the contribution rate for the total program remains unchanged, but the allocation to the disability insurance trust fund is increased, so that the remainder available for the old-age and survivors insurance trust fund is reduced; this reduction in income almost counterbalances the increase due to the higher taxable earnings base. For the old-age, survivors, and disability insurance system as a whole, contribution income in 1968 is $1.0 billion more under your committee's bill than it would be under present law, a relative increase of 3.9 percent.

Under the program as modified by your committee's bill, according to this estimate, the old-age and survivors insurance trust fund will increase by about $3.5 billion in 1967 (assuming enactment in October) and $1.1 billion in 1968, reaching $25.1 billion at the end of 1968. In the next 2 years, as a result of the scheduled increase in the contribution rates in 1969, the trust fund will increase by about $3½ billion each year. Table IV presents these short-range estimates, as well as the corresponding ones for the present law.
### Table IV: Progress of Old-Age and Survivors Insurance Trust Fund Short-Range Estimate

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Contributions</th>
<th>Benefit Payments</th>
<th>Administrative Expenses</th>
<th>Railroad Retirement Financial Interchange</th>
<th>Interest on Fund</th>
<th>Balance in Fund at End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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</tr>
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<td>$1,885</td>
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<td>$417</td>
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<tr>
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<td>2,194</td>
<td>88</td>
<td></td>
<td>422</td>
<td>20,576</td>
</tr>
<tr>
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<td>3,006</td>
<td>99</td>
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<td>447</td>
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</tr>
<tr>
<td>1954</td>
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<td>3,670</td>
<td>92</td>
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<td>21,770</td>
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<tr>
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<td>5,713</td>
<td>4,268</td>
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<td>454</td>
<td>22,969</td>
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<tr>
<td>1956</td>
<td>6,172</td>
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<td>6,625</td>
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<td>7,066</td>
<td>8,027</td>
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<td>9,042</td>
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<tr>
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<td>10,866</td>
<td>10,677</td>
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<td>566</td>
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<tr>
<td>1961</td>
<td>11,285</td>
<td>11,682</td>
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<td>1962</td>
<td>12,052</td>
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<td>1963</td>
<td>14,541</td>
<td>14,217</td>
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<td>1964</td>
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<tr>
<td>1965</td>
<td>16,017</td>
<td>16,737</td>
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<td>593</td>
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<td>1966</td>
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<td></td>
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<tr>
<td>1967</td>
<td>$23,210</td>
<td>$19,635</td>
<td>$401</td>
<td></td>
<td>$794</td>
<td>$24,030</td>
</tr>
<tr>
<td>1968</td>
<td>24,256</td>
<td>22,156</td>
<td>377</td>
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<td>794</td>
<td>24,030</td>
</tr>
<tr>
<td>1969</td>
<td>27,308</td>
<td>25,156</td>
<td>372</td>
<td></td>
<td>794</td>
<td>24,030</td>
</tr>
<tr>
<td>1970</td>
<td>29,497</td>
<td>27,217</td>
<td>372</td>
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<td>794</td>
<td>24,030</td>
</tr>
<tr>
<td>1971</td>
<td>32,089</td>
<td>28,122</td>
<td>427</td>
<td></td>
<td>794</td>
<td>24,030</td>
</tr>
<tr>
<td>1972</td>
<td>33,469</td>
<td>27,155</td>
<td>440</td>
<td></td>
<td>794</td>
<td>24,030</td>
</tr>
<tr>
<td><strong>Estimated Data (short-range estimate), present law</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>1967</td>
<td>$23,210</td>
<td>$19,635</td>
<td>$401</td>
<td></td>
<td>$794</td>
<td>$24,030</td>
</tr>
<tr>
<td>1968</td>
<td>24,256</td>
<td>22,156</td>
<td>377</td>
<td></td>
<td>794</td>
<td>24,030</td>
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<tr>
<td>1969</td>
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<td>25,156</td>
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<td>24,030</td>
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<td>1970</td>
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<tr>
<td>1971</td>
<td>32,089</td>
<td>28,122</td>
<td>427</td>
<td></td>
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<td>24,030</td>
</tr>
<tr>
<td>1972</td>
<td>33,469</td>
<td>27,155</td>
<td>440</td>
<td></td>
<td>794</td>
<td>24,030</td>
</tr>
</tbody>
</table>

1. An interest rate of 3.75 percent is used in determining the level-costs, under the intermediate-cost long-range estimates, but in developing the progress of the trust fund a varying rate in the early years has been used.
2. A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.
3. 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.
4. 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 and for the special benefits payable to certain noninsured persons aged 72 or over. For the purposes of this table, it is assumed that the enactment date is in October 1967.

**6) DI Income and Outgo in Near Future**

Under the disability insurance system, as it would be affected by your committee's bill in calendar year 1968, benefit disbursements will total about $2.4 billion, and there will be an excess of contribution income over benefit disbursements of about $0.9 billion. In 1969 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 your committee's bill). If enactment occurs in October, there will be no additional benefit outgo in 1967, while such additional outgo will be about $20 million for enactment in September. As contrasted with present law, benefit outgo would be increased by about $320.
million in 1968 under your committee's bill, while contribution income would be increased by about $360 million.

The disability insurance trust fund is estimated to increase by about $810 million in 1968 under your committee's bill, as compared with a corresponding increase of about $270 million under present law (and an increase of about $330 million in 1967 under present law). The trust fund at the end of 1968 will be about $2.9 billion, and thereafter it will increase in every year. Table V presents these short-range estimates, as well as the corresponding ones for present law.

### Table V.—Progress of Disability Insurance Trust Fund Under System Short-Range Cost Estimate

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial exchanges</th>
<th>Interest on fund 1</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual date</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1957</td>
<td>$702</td>
<td>$27</td>
<td>$43</td>
<td>$7</td>
<td>$649</td>
<td></td>
</tr>
<tr>
<td>1958</td>
<td>966</td>
<td>249</td>
<td>12</td>
<td>75</td>
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</tr>
<tr>
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<td>1,010</td>
<td>568</td>
<td>59</td>
<td>40</td>
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<tr>
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<td>887</td>
<td>50</td>
<td>31</td>
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</tr>
<tr>
<td>1961</td>
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<td>1,105</td>
<td>66</td>
<td>60</td>
<td>2,437</td>
<td></td>
</tr>
<tr>
<td>1962</td>
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<td>2,110</td>
<td>68</td>
<td>60</td>
<td>2,988</td>
<td></td>
</tr>
<tr>
<td>1963</td>
<td>1,134</td>
<td>1,309</td>
<td>79</td>
<td>64</td>
<td>2,047</td>
<td></td>
</tr>
<tr>
<td>1964</td>
<td>1,188</td>
<td>1,573</td>
<td>90</td>
<td>64</td>
<td>1,606</td>
<td></td>
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<tr>
<td>1965</td>
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<td>1,784</td>
<td>137</td>
<td>58</td>
<td>1,739</td>
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</table>

Estimated data (short-range estimate), committee bill

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial exchanges</th>
<th>Interest on fund 1</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$2,313</td>
<td>$1,920</td>
<td>$111</td>
<td>$31</td>
<td>$73</td>
<td>$2,063</td>
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<tr>
<td>1968</td>
<td>3,215</td>
<td>2,157</td>
<td>128</td>
<td>21</td>
<td>98</td>
<td>2,879</td>
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<tr>
<td>1969</td>
<td>3,488</td>
<td>2,494</td>
<td>130</td>
<td>24</td>
<td>136</td>
<td>3,852</td>
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<tr>
<td>1970</td>
<td>3,600</td>
<td>2,600</td>
<td>122</td>
<td>23</td>
<td>181</td>
<td>4,830</td>
</tr>
<tr>
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<td>2,716</td>
<td>126</td>
<td>26</td>
<td>257</td>
<td>5,801</td>
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<tr>
<td>1972</td>
<td>3,949</td>
<td>2,820</td>
<td>132</td>
<td>30</td>
<td>275</td>
<td>7,123</td>
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</table>

Estimated data (short-range estimate), present law

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial exchanges</th>
<th>Interest on fund 1</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$2,313</td>
<td>$1,920</td>
<td>$107</td>
<td>$31</td>
<td>$73</td>
<td>$2,067</td>
</tr>
<tr>
<td>1968</td>
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<td>2,039</td>
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<td>21</td>
<td>96</td>
<td>2,338</td>
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<tr>
<td>1969</td>
<td>2,438</td>
<td>2,145</td>
<td>116</td>
<td>24</td>
<td>96</td>
<td>2,515</td>
</tr>
<tr>
<td>1970</td>
<td>2,512</td>
<td>2,260</td>
<td>119</td>
<td>26</td>
<td>106</td>
<td>2,768</td>
</tr>
<tr>
<td>1971</td>
<td>2,593</td>
<td>2,357</td>
<td>123</td>
<td>29</td>
<td>115</td>
<td>2,985</td>
</tr>
<tr>
<td>1972</td>
<td>2,667</td>
<td>2,449</td>
<td>129</td>
<td>32</td>
<td>122</td>
<td>3,182</td>
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</table>

1 An interest rate of 3.75 percent is used in determining the level-costs under the intermediate-cost long-range estimates but in developing the progress of the trust fund a varying rate in the early years has been used.

2 A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

3 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. For the purposes of this table, it is assumed that the enactment date is in October 1967.

(7) Increases in benefit disbursements in 1968, by cause

The total benefit disbursements of the old-age, survivors, and disability insurance system would be increased by about $3.2 billion in 1968 as a result of the changes that your committee's bill would make. Of this amount, about $2.9 billion results from the benefit increase, $70 million from the liberalization of the insured-status provisions for disability benefits for young workers, $60 million from the benefits
for disabled widows, $85 million from the liberalized benefit provisions with respect to women workers, and $140 million from the liberalization of the earnings test (the corresponding figure for this change for subsequent years will be somewhat larger). Table VI presents these figures and also corresponding ones for 1972.

Table VI.—Estimated Additional OASDI Benefit Payments in Calendar Years 1968 and 1972 Under Committee Bill

<table>
<thead>
<tr>
<th>Item</th>
<th>1968</th>
<th>1972</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Amendments of 1967</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit increase</td>
<td></td>
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</tr>
<tr>
<td>Benefit increase for transitioned insured</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Benefit increase for transitioned noninsured</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>Liberalized benefits with respect to women workers</td>
<td>85</td>
<td>100</td>
</tr>
<tr>
<td>Special disability insured status under age 51</td>
<td>70</td>
<td>77</td>
</tr>
<tr>
<td>Disabling widow’s benefits at age 50</td>
<td>60</td>
<td>72</td>
</tr>
<tr>
<td>Earnings test liberalization</td>
<td>140</td>
<td>244</td>
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<tr>
<td>Total</td>
<td>3,226</td>
<td>3,847</td>
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</table>

(8) Long-range operations of OASI trust fund

Table VII gives the estimated operation of the old-age and survivors insurance trust fund under the program as it would be changed by your committee’s bill 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.

In every year after 1967 for the next 20 years, contribution income under the system as it would be modified by your committee’s bill 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 intermediate long-range cost estimate (with a level-earnings assumption), reaching $47 billion in 1975, $74 billion in 1980, and about $160 billion at the end of this century. In the very far distant future, namely, in about the year 2020, the trust fund is estimated to reach a maximum of about $310 billion.

(9) Long-range operations of DI trust fund

The disability insurance trust fund, under the program as it would be changed by your committee’s bill, grows slowly but steadily after 1967, according to the intermediate long-range cost estimate, as shown by table VIII. In 1975, it is shown as being $7 billion, while in 1990,
the corresponding figure is $15 billion. There is a small excess of contribution income over benefit disbursements for every year after 1967 for the remainder of this century.

(f) Cost estimates on range basis

(1) Long-range operations of trust funds

Table VII shows the estimated operation of the old-age and survivors insurance trust fund under the program as it would be changed by your committee’s bill for not only the intermediate-cost estimates but also for the low- and high-cost estimates, while table VIII 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 being about $257 billion and is then growing at a rate of about $15 billion a year. Likewise, the disability insurance trust fund grows steadily under the low-cost estimate, reaching about $12 billion in 1980 and $44 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 1967 for the next 50 years.

TABLE VII.—ESTIMATED PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND UNDER SYSTEM AS MODIFIED BY COMMITTEE BILL, LONG-RANGE COST ESTIMATES

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial interchange</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
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</thead>
<tbody>
<tr>
<td>Low-cost estimate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>$33,334</td>
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<td>$450</td>
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<td>36,190</td>
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<td>490</td>
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<td>576</td>
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<td>10</td>
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<td>75,297</td>
<td>930</td>
<td>-90</td>
<td>10,894</td>
<td>304,366</td>
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</tbody>
</table>

1. A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

2. At interest rates of 3.75 percent for the intermediate-cost estimate, 4.25 percent for the low-cost estimate, and 3.25 percent for the high-cost estimate.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service before 1957. No account is taken in this table of the outgo for the special benefits payable to certain uninsured persons aged 72 or over or for the additional benefits payable on the basis of noncontributory credit for military service after 1967—or of the corresponding reimbursement therefor, which is exactly counterbalancing from a long-range cost standpoint. For the purposes of this table, it is assumed that the enactment date is in October 1967.
### Table VIII. Estimated Progress of Disability Insurance Trust Fund Under As Modified by Committee Bill, Long-Range Cost Estimates

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit Payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial interchange</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low-cost estimate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>$3,552</td>
<td>$2,971</td>
<td>$137</td>
<td>$-34</td>
<td>$305</td>
<td>$8,105</td>
</tr>
<tr>
<td>1980</td>
<td>3,866</td>
<td>3,352</td>
<td>118</td>
<td>$-21</td>
<td>484</td>
<td>12,411</td>
</tr>
<tr>
<td>1990</td>
<td>4,410</td>
<td>3,773</td>
<td>115</td>
<td>$-25</td>
<td>927</td>
<td>24,503</td>
</tr>
<tr>
<td>2000</td>
<td>5,206</td>
<td>4,582</td>
<td>129</td>
<td>$-25</td>
<td>1,771</td>
<td>44,166</td>
</tr>
<tr>
<td></td>
<td>High-cost estimate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>$3,498</td>
<td>$3,289</td>
<td>$136</td>
<td>$-6</td>
<td>$163</td>
<td>$5,420</td>
</tr>
<tr>
<td>1980</td>
<td>3,789</td>
<td>3,779</td>
<td>147</td>
<td>$-11</td>
<td>163</td>
<td>6,088</td>
</tr>
<tr>
<td>1990</td>
<td>4,260</td>
<td>4,374</td>
<td>161</td>
<td>$-15</td>
<td>167</td>
<td>5,598</td>
</tr>
<tr>
<td>2000</td>
<td>4,903</td>
<td>5,401</td>
<td>195</td>
<td>$-15</td>
<td>76</td>
<td>2,634</td>
</tr>
<tr>
<td></td>
<td>Intermediate-cost estimate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>$3,525</td>
<td>$3,130</td>
<td>$137</td>
<td>$-10</td>
<td>$228</td>
<td>$6,733</td>
</tr>
<tr>
<td>1980</td>
<td>3,827</td>
<td>3,551</td>
<td>133</td>
<td>$-16</td>
<td>516</td>
<td>9,149</td>
</tr>
<tr>
<td>1990</td>
<td>4,335</td>
<td>4,034</td>
<td>138</td>
<td>$-20</td>
<td>509</td>
<td>14,573</td>
</tr>
<tr>
<td>2000</td>
<td>5,054</td>
<td>4,391</td>
<td>162</td>
<td>$-20</td>
<td>774</td>
<td>21,887</td>
</tr>
<tr>
<td>2025</td>
<td>6,542</td>
<td>7,205</td>
<td>233</td>
<td>$-20</td>
<td>743</td>
<td>20,808</td>
</tr>
</tbody>
</table>

1. A negative figure indicates payment to the fund from the railroad retirement account, and a positive figure indicates the reverse.
2. At interest rates of 3.75 percent for the intermediate-cost estimate, 4.25 percent for the low-cost estimate, and 3.25 percent for the high-cost estimate.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service before 1957. No account is taken in this table of the outgo for the additional benefits payable on the basis of noncontributory credit for military service after 1967—or of the corresponding reimbursement therefor, which is exactly counterbalancing from a long-range cost standpoint. For the purposes of this table, it is assumed that the enactment date is in October 1967.

On the other hand, under the high-cost estimate, the old-age and survivors insurance trust fund builds up to a maximum of about $78 billion in about 25 years, but decreases slowly thereafter until it is exhausted in the year 2020. Under this estimate, benefit disbursements from the old-age and survivors insurance trust fund are lower than contribution income during all years after 1967 and before 1990.

As to the disability insurance trust fund, under the high-cost estimate, in the early years of operation the contribution income slightly exceeds the benefit outgo. Accordingly, the disability insurance trust fund, as shown by this estimate, will increase to a maximum of $6.1 billion in 1980 and will then slowly decrease until it is exhausted in 2003.

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 under the low-cost and high-cost estimates shown in tables VII and VIII 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. In any event, 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 IX shows the estimated costs of the old-age and survivors insurance benefits and of the disability insurance benefits under the program as it would be changed by your committee's bill 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 I and III for the intermediate-cost estimate).

### Table IX—Estimated Cost of Benefit Payments of Old-Age, Survivors, and Disability Insurance System as Percent of Taxable Payroll, Under System as Modified by Committee Bill

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Low-cost estimate</th>
<th>High-cost estimate</th>
<th>Intermediate-cost estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Old-age and survivors insurance benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>7.49</td>
<td>7.82</td>
<td>7.65</td>
</tr>
<tr>
<td>1980</td>
<td>7.49</td>
<td>7.84</td>
<td>7.61</td>
</tr>
<tr>
<td>1990</td>
<td>8.27</td>
<td>9.46</td>
<td>9.10</td>
</tr>
<tr>
<td>2000</td>
<td>9.58</td>
<td>12.44</td>
<td>10.93</td>
</tr>
<tr>
<td>2025</td>
<td>11.93</td>
<td>14.33</td>
<td>12.40</td>
</tr>
<tr>
<td>2040</td>
<td>9.24</td>
<td>9.38</td>
<td>8.76</td>
</tr>
<tr>
<td>Level-cost 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>0.70</td>
<td>0.90</td>
<td>0.85</td>
</tr>
<tr>
<td>1980</td>
<td>0.87</td>
<td>0.95</td>
<td>0.89</td>
</tr>
<tr>
<td>1990</td>
<td>0.82</td>
<td>0.98</td>
<td>0.90</td>
</tr>
<tr>
<td>2000</td>
<td>0.84</td>
<td>1.05</td>
<td>0.94</td>
</tr>
<tr>
<td>2025</td>
<td>0.86</td>
<td>1.23</td>
<td>1.05</td>
</tr>
<tr>
<td>2040</td>
<td>0.85</td>
<td>1.06</td>
<td>0.95</td>
</tr>
</tbody>
</table>

1 Taking into account the lower contribution rate for self-employment income and tips, as compared with the combined employer-employee rate.
2 Level contribution rate, at an interest rate of 3.25 percent for high-cost, 3.75 percent for intermediate-cost, and 4.25 percent for low-cost, for benefits after 1966, taking into account interest on the trust fund on December 31, 1966, future administrative expenses, the railroad retirement financial interchange provisions, and the reimbursement of military-wage-credits cost.

### B. PUBLIC WELFARE

1. Aid to families with dependent children

Your committee has become very concerned about the continued growth in the number of families receiving aid to families with dependent children (AFDC). In the last 10 years, the program has grown from 646,000 families that included 2.4 million recipients to 1.2 million families and nearly 5 million recipients. Moreover, according to estimates of the Department of Health, Education, and Welfare,
the amount of Federal funds allocated to this program will increase greatly (from $1.46 billion to $1.84 billion) over the next 5 years unless constructive and concerted action is taken now to deal with the basic causes of the anticipated growth. Although the growth which has occurred can be accounted for, in part, by the inclusion in the program of assistance to the children of the unemployed (added in 1961 on an optional basis to the States) and to increases in the child population, a very large share of the program growth is due to family breakup and illegitimacy.

Your committee is very deeply concerned that such a large number of families have not achieved independence and self-support, and is very greatly concerned over the rapidly increasing costs to the taxpayers. Moreover, your committee is aware that the growth in this program has received increasingly critical public attention.

It is now 5 years since the enactment of the 1962 legislation, which allowed Federal financial participation in a wide range of services to AFDC families—services which your committee was informed and believed would help reverse these trends—and your committee has had an opportunity to assess its effect on the status of the AFDC program. While the goals set for the program in 1962 were essentially sound, those amendments have not had the results which those in the administration who sponsored the amendments predicted. The provisions for services in the 1962 amendments have been implemented by all the States, with varying emphasis from State to State as to which aspects receive the major attention. There have been some important and worthwhile developments stemming from this legislation. The number of staff working in the program has increased so that the caseworkers have smaller, more manageable caseloads. The volume of social services has increased and some constructive results have been reported. It is also obvious, however, that further and more definitive action is needed if the growth of the AFDC program is to be kept under control.

Your committee has studied these problems very carefully and is now recommending several coordinated steps which it expects, over time, will reverse the trend toward higher and higher Federal financial commitments in the AFDC program. The overall plan which the committee has developed, with the advice and help of the Department of Health, Education, and Welfare, amounts to a new direction for AFDC legislation. The committee is recommending the enactment of a series of amendments to carry out its firm intent of reducing the AFDC rolls by restoring more families to employment and self-reliance, thus reducing the Federal financial involvement in the program.

These changes are—

1. A requirement that all States establish a program for each appropriate AFDC adult and older child not attending school with a view to getting each of them equipped for work and placed in jobs. Those members of the family who refuse without good cause to accept training or employment would be cut off the rolls. (Children would not have to be cut off the rolls but the adults would not get payments.) The programs would also be designed to reduce the incidence of illegitimacy and to strengthen family life.

2. A requirement that all States have an earnings exemption to provide incentives for work by AFDC recipients.
(3) A requirement that all States establish community work and training programs throughout the State by July 1, 1969.

(4) A requirement that protective payments and vendor payments be made where appropriate to protect the welfare of children.

(5) A provision to freeze (insofar as Federal financing participation is concerned) the largest AFDC category—where the parent is absent from the home—at present proportions of each State's child population.

(6) A more definitive program of aid to the children of the unemployed.

(7) A requirement that all States establish programs to combat illegitimacy.

(8) A requirement that all States furnish day-care services and other services to make it possible for adult members of the family to take training and employment. Family planning services would be offered to all appropriate recipients, and other services which would help make the family self-supporting.

(9) A program of emergency assistance for families for a temporary period.

(10) A requirement that State welfare agencies refer cases of child abuse or neglect to appropriate law-enforcement agencies and courts.

(11) A requirement that the States establish separate units to enforce the child-support laws, including financial help to the courts and prosecuting agencies to enforce court orders for support.

(12) Federal payments for additional foster care situations under the AFDC program.

(a) Program for each adult recipient.—Under the bill, the local welfare agency would be required to establish a program for each adult (and each appropriate child over the age of 16 who is not attending school) with the objective of (1) placing such individuals in employment, and (2) preventing or reducing the incidence of illegitimate births, and otherwise strengthening family life.

(I) Analysis of employability potential.—Obviously, much is to be gained, both by the recipients themselves and the community at large, if the full employment potential of the AFDC group is realized and these families can be returned to financial independence as quickly as possible. Your committee believes that a great many mothers, as well as virtually all unemployed fathers, of AFDC children can be trained for and placed in productive employment. Your committee is well aware that this potential can be realized only with careful planning and with the development of appropriate training, educational, child care, and related resources on the part of the State and local welfare agency.

Your committee recognizes the serious social, vocational, and educational handicaps of many of the recipients and knows that much careful and patient work will be needed in order to accomplish the objectives of the bill. In some instances steps will be needed to upgrade the level of homemaking, child care, and the basic educational capacity of the mother in order to get her ready to profit by training. The commit-
tee expects that social services already authorized under the 1962 legislation will be effectively used to attain these goals. In addition to testing, basic education, job training, and special job development, the plan may provide for homemaker services, individual and group counseling, and medical services.

Your committee is concerned that the plan for each family be kept current and that the State be held responsible, as a condition for continued Federal grants, for carrying out the plan and for making necessary adjustments. Under the bill, the plan must be examined, updated, and assessed as to its effectiveness in dealing with the individual problems of the family as frequently as needed but not less than once a year.

(2) Family and child welfare services.—In the implementation of the program for each adult, the State would be expected to provide the social services indicated in the plan, including family planning services, needed to achieve the goals of the program—prevention of illegitimacy, and strengthening of family life. Family planning services are to be offered to the recipient and, in accordance with statements on this subject previously issued by the Secretary of Health, Education, and Welfare, can be accepted or rejected in accordance with the dictates of the individual’s religion or conscience. The term “family services,” under your committee’s bill, is defined to include services to preserve, rehabilitate, reunite, or strengthen the family. The term includes services which are specifically designed to assist the family members to attain or retain capability for maximum self-support and personal independence.

Your committee is aware that in a few States child welfare services are in separate organizational units from services offered through the unit providing services to public assistance recipients. This separation, whether it occurs on the State level or in the local unit of the welfare department, diminishes the prospect of the State being able to concentrate the available help for the families that need this help. For this reason, the bill provides that the services under the requirement for a plan for each family must be provided by a single State and local agency by July 1, 1969.

Your committee believes that many mothers of children on AFDC would like to work and improve the economic situation of their families if they could be assured of good facilities in which to leave their children during working hours. In addition to other provisions which will provide incentives to work and training and related services, the bill would contribute very substantially to the financing of day care facilities for the children of working mothers (or homemaker services if such an arrangement is more satisfactory). In addition, your committee believes that it may be worthwhile for the States to work out arrangements under which some mothers on AFDC can care for the children (and get paid for it) of other AFDC mothers who take other jobs. (Your committee is aware that this is an idea dating back to the 1930’s, but urges the States to experiment with this and other methods to bring these families into the mainstream of American economic life.) It is expected that in 1970 (when it is assured that the full plan will be in effect in virtually all the States) some $207 million in Federal, State, and local funds will be needed to meet the costs of day care. But for every expense for day care, there will be a mother at work or in training who could not otherwise be there.
SOCIAL SECURITY AMENDMENTS OF 1967

Under the bill, the States would submit reports to the Secretary showing the results of their experience with the programs for each adult for stimulating employment and strengthening family life. The Secretary, in turn, would publish his findings of the programs developed by the States and would be required to submit an annual report to the Congress (beginning not later than July 1, 1970) on the programs developed and administered by the States. The report would include such factors as the number of recipients for whom training or employment was found feasible, the frequency with which the programs were reviewed and revised; the extent to which, in the opinion of the States and the Secretary, the programs contributed to making families economically independent; the extent to which family planning services have been offered and accepted; and other pertinent factors, information, and recommendations which the Congress could use in assessing the effectiveness of these provisions.

(3) Financing necessary services.—Your committee is well aware that the services which the States will be required to furnish AFDC families will impose an additional financial burden on the States. Therefore, the provisions of law relating to Federal financial participation would be amended by your committee bill to provide 75 percent Federal financial participation in the cost of all the services provided under these requirements to the recipients of the program.

In addition, as is provided under present law, 75 percent Federal sharing would be available for services for applicants and families that are near dependency. Provision of such services can help families to remain self-supporting. As appropriate for this purpose, services may be made available to those who need them in low-income neighborhoods and among other groups that might otherwise include more AFDC cases.

Seventy-five percent Federal matching would also continue to be available to help meet the cost of training staff who are employed by the State or local agency or who are preparing for such employment.

The 1962 amendments relating to social services provide that, with certain exceptions, the basic services must be provided by the staff of the State or local welfare agency. The committee bill proposes some changes in this provision to take into account the need for a variety of services in State implementation of the plan for each family. Thus, an exception is permitted, to the extent specified by the Secretary, to permit child welfare, family planning, and other family services to be provided from sources other than the staff of the State and local agency. This will permit the purchase of day-care services, which, as indicated above, the committee anticipates will be needed in great volume under the bill, and other specialized services not now available or feasible to be provided by the staff of the public welfare agency and which are available elsewhere in the community. Services may be provided by the staff of the State or local agency in some part of the State and may be provided in other parts of the State by purchase. The Secretary, in his standards governing this aspect of the program, may permit purchase from other agencies and institutions. The basic reason for the exception is the variety of existing arrangements around the country in which some kinds of services are now provided, usually institutional services, by other than the State or local public welfare agency.
The matching ratio for these various services would be 85 percent up to July 1, 1969, for State plans complying with the new requirements before that date, in order to encourage earlier implementation of these provisions in those States where it is feasible.

(b) Referral to courts.—Your committee’s bill would add a plan requirement on the relationship of the public welfare agency to the courts and law enforcement officials. Under present law, the States are required to report to the appropriate law enforcement officials the granting of assistance to any child who is made eligible by the desertion or abandonment by his parent. This provision has not been broad enough to accomplish objectives which the committee believes are essential—securing support from the deserting or abandoning parent in every possible case. There needs to be a cooperative arrangement between the courts and law enforcement officials and the welfare agencies in several program areas. The agreement should cover the manner in which referrals are made to the court when the welfare agency believes the child’s home is unsuitable because of neglect, abuse, or exploitation of a child. The agreement should also provide for calling the attention of the law enforcement agencies to such instances and giving all necessary information to the appropriate law enforcement officials. Thus, for example, if an AFDC mother is not caring properly for her children, the matter would quickly come to the attention of the courts and appropriate action taken, including the possibility of placing the children in foster care.

The agreement might appropriately cover other areas of joint interest between the welfare agencies and the courts and the law enforcement agencies including the manner of referral to the welfare agency of instances of dependency and the need for public social services coming to the attention of the courts and law enforcement officials.

(c) Foster care in AFDC.— Your committee believes that some children now receiving AFDC would be better off in foster homes or institutions than they are in their own homes. This situation arises because of the poor home environment for child upbringing in homes with low standards, including multiple instances of illegitimacy. Foster care for children is relatively costly, and States have reported that they cannot finance it without some additional Federal help. This item of care for children is frequently the responsibility of local government rather than State government. There are two limited sources for Federal funds for this program. Under the AFDC program, as amended in 1961, Federal funds are available for the care of children in foster family care or in voluntary institutions if they were recipients of AFDC when they were removed from their home by a court. This part of the program is a small one with approximately 9,000 children currently aided under these provisions. In addition, the States may use part of their Federal child welfare grants under part 3 of title V of the Social Security Act for foster care costs. Only small sums are actually available from these latter grant funds for this purpose because of the great demands for other services.

Your committee is aware of the limitations on the provision described above for foster care through the AFDC program when children are removed from their home by court order. For the State to receive any Federal sharing, the children must be recipients of AFDC.
when the court issues its order. Your committee believes that this is an
unduly limiting restriction and is proposing that this limitation be
changed. There is some evidence that courts may be reluctant to place
a child in foster care because Federal funds are not available (and the
cost of the care must come out of local funds in many areas) unless
the child is in the home of a specified relative. The proposed change
would make the cost of caring for children in foster care subject to
Federal sharing if the child has been placed in foster care by a court
order (if the child is removed from the home of a relative as a result
of a judicial determination that continuation in such home would be
contrary to his welfare) and if the child would have been eligible for
aid under the AFDC program if an application had been made on his
behalf. Also included are children placed under court order who had
been living with one of the specified relatives enumerated in the law
within 6 months and would have been eligible upon application for
AFDC if he were living with such relative and were removed from the
home of such relative by order of the court. This latter group would
include some children already in foster care at the time of this legis­
lation and who, except for this provision, would not be eligible because
they had already been removed from their homes. Temporary plans
may be needed, for example, for children both of whose parents are
killed in an accident and for whom the court does not take immediate
jurisdiction. The child need not live with a relative and may be in a
foster family home or in a voluntary institution at the time the court
makes its decision.

Your committee believes that the AFDC program already offers an
opportunity for States to receive Federal financial assistance in the
cost of care for many children who have no parents or who are not
able to live with their parents. Under AFDC, children are eligible for
assistance only if they are living with one or more specified relatives.
Thus, if children are deprived of parental support or care for the
reasons now available to States under title IV, Federal sharing is
available to meet the cost. It is not necessary for the relatives who, un­
der State law, are not legally responsible for support, to meet the test
of need applicable under the State AFDC plan, if they are caring for
children who are eligible under the plan. Federal sharing is available
to reimburse the relative for the cost of providing a home for the child.
Your committee believes that greater use could be made of these
present provisions of the AFDC program in this respect in order to
obtain the best possible environment for the child.

Under the committee bill, Federal funds will be available on a more
liberal basis than for the basic program out of a recognition that
foster family care is more costly than care in the child’s home. Effective
July 1, 1969, State plans would have to provide for foster care
under these terms. Federal sharing will be possible up to $100 a month
(on an average basis) for children in foster care. Your committee
believes that these liberalizations will be of material assistance to
States and localities and will facilitate plans being developed for
children based on the need of the child rather than the fiscal condition
of the local government.

(d) Protective payments in AFDC.—One of the measures included
in the 1962 amendments provided the State and local agencies with an
additional tool to deal with an infrequent but persistent problem of misuse of assistance money. This provision for a protective payment made to a third party in behalf of the recipient has been used very little. Only seven States have approved plans for protective payments and the beneficiaries of this aspect of the program number less than 50 in the Nation. Your committee believes this is potentially a valuable provision and is including in the bill some changes to make it more usable by the States. First, the provision would become mandatory on the States. Second, the bill would eliminate the requirement that the States meet need in full for the particular child in order to qualify for plan approval for protective payments. Third, the limitation in the law setting 5 percent of the recipients as the maximum number of persons to which protective payments may be made with Federal sharing would also be removed. The bill would also require the States to have machinery to make a vendor payment with Federal sharing when the need for this kind of payment is clearly indicated. The requirements which apply to protective payments would also apply to vendor payments.

Parental desertion.—In addition to illegitimacy as a major cause of dependency, absence of a parent from the home by desertion is a major problem. To deal with this, your committee is proposing additional requirements on the States to bring about a closer relationship between the welfare agencies and the law enforcement agencies and courts of the States so that every reasonable effort will be made to locate and obtain support from the absent parent.

One of the major factors which has prevented the full utilization of the resources of the law enforcement agencies is the lack of authority for the welfare agencies to reimburse the law enforcement agencies, with Federal sharing, for their expenses. Your committee is proposing that this weakness be corrected by allowing Federal sharing in the reasonable expenses of the law enforcement agencies with respect to welfare recipients as a usual administrative expense of the welfare program. The committee expects that this expenditure of Federal funds will result in increased effort to enforce the laws against desertion and nonsupport. The committee also expects of the Department of Health, Education, and Welfare extreme diligence in working out the implementation of this provision to protect the Federal funds and to assure maximum benefit from the money expended. Reimbursement should be limited to the basic expenses for the personnel directly involved in the establishment of paternity, location of deserting parents, and for obtaining support from such individuals. Inasmuch as this is a normal function of Government and, thus, should be available to welfare recipients as well as all others in the community, your committee believes that a relatively small Federal contribution toward the cost of this operation should be sufficient.

The above requirements on the States having to do with establishment of paternity, location, and obtaining support from absent parents will absorb the attention of some full-time staff members of the State and local agencies in many areas. In order to make certain that these functions are executed with diligence and are fully coordinated, the committee bill provides that there shall be a unit established in the State agency and in each political subdivision responsible for these
functions. Although in some instances these functions can be carried out by persons also carrying other responsibilities, this requirement will, normally, require staff working in this area full time. A related provision, discussed earlier in this report, would allow courts to use social security earnings records in order to locate a parent who is not supporting his child.

(t) Work and training in the aid to families with dependent children program.—One of the provisions included in the 1962 amendments was the authorization of community work and training programs. This provision was enacted to make it possible for States to provide work and training experience for employable persons receiving aid. It was enacted with particular reference to the inclusion of assistance to the children of the unemployed, although the program was not limited to those individuals. Experience under that program, and under the parallel program of work experience and training under title V of the Economic Opportunity Act, strongly support the concept of a work and training component in a public welfare program. Public welfare agencies have a particular knowledge of the characteristics and needs of assistance recipients and have been able to design programs to upgrade the work habits and skills of people with limited education and work experience.

The 1962 legislation has certain weaknesses which your committee bill is designed to correct. This program, under the committee bill, would be mandatory upon all States. Some States have been reluctant to undertake this program and, thus, have not been able to offer their employable or trainable recipients the advantages of this program. There are currently 22 States with AFDC-UP programs, but only 12 States have community work and training programs.

Since the program would be required of all the States it would be available to parents (and, in certain instances, older children) in families other than those in which the basis of eligibility is the unemployment of the father. This provision would become mandatory on July 1, 1969. States would be required to provide the program in all geographical areas where there are significant numbers of AFDC recipients 16 years of age or older. The Secretary is given authority to establish criteria to determine the number of AFDC recipients in a locality that would justify requiring a program. The objective is to have the program available in all the localities with enough recipients to make a project feasible. It may be possible for the State to arrange for smaller communities to be joined so that the appropriate size group will be available. It is probable, too, that, as experience with establishing programs is acquired, programs would be required in areas with fewer AFDC recipients.

Your committee intends that a proper evaluation be made of the situation of all mothers to ascertain the extent to which appropriate child care arrangements should be made available so the mother can go to work. Indeed, under the bill the States would be required to assure appropriate arrangements for the care and protection of children during the absence from the home of any relative performing work or receiving training. The committee recognizes that in some instances—where there are several small children, for example—the best plan for a family may be for the mother to stay at home. But even
these cases would be reviewed regularly to see if the situation had changed to the point where training or work is appropriate for the mother.

Children over the age of 16 are expected to be participants in the program if they are not in school and it is otherwise found appropriate, under standards of the Secretary, that they receive this kind of experience. All adults in AFDC families, and children, as described above, are expected to be considered for participation in this program. The Secretary of Health, Education, and Welfare could issue standards to protect mothers from undue hardship in work and training assignments. For mothers and children who are determined to be appropriate for the program, as well as fathers or other relatives participation in the program and regular registration with the employment service is a requirement for the continued receipt of assistance. If, without good cause, any appropriate child or relative refuses to accept a work or training assignment, or refuses to accept employment or training offered through the State employment service (or that is otherwise offered by an employer) he will have his assistance discontinued upon verification of this refusal and specific evidence that the offer of training or employment is a bona fide one. If a mother or father makes such a refusal without good cause, his or her needs will not be taken into account and the children involved could be taken care of only through protective payments or vendor payments without the need to make the usual determination that the adult is not capable of handling the funds. Persons denied assistance under this provision are entitled to an opportunity for a fair hearing on this decision.

In several additional respects, the committee bill contains improvements over the existing CWT program. The work or training can be provided, under the bill, by a public agency other than the public welfare department, or by nonprofit agencies or by agreements with employers, agencies, and institutions for the purpose of preparing persons and individuals for, or restoring them to, employability in private industry or with a public or nonprofit agency. State financial participation is required in the operation of the program. Experience has shown that programs without State financial participation cannot properly be supervised or planned by the State.

The committee bill provides for a liberalization of Federal sharing in the cost of the program in order to stimulate the most effective results. Under the current provisions of law, no Federal sharing is available in the cost of training, supervision, and materials. This has been a serious handicap to the development of these programs. Under the committee bill, Federal sharing at the 75 percent rate would be available for the costs of those items and such additional items as are determined by the Secretary in connection with this program. In order to stimulate immediate development of these programs before the date they will be required the proportion would be 85 percent until July 1969. In addition, the expenses which a State employment office incurs for testing, counseling, and certain other employment services furnished to a recipient can be included among the items subject to the 75 percent (or 85 percent) Federal matching. This provision will insure that any priorities under which State employment offices put
other groups ahead of assistance recipients will not interfere with the objectives of this program.

In addition to the above provisions which are new under the committee bill, there are also included a number of other provisions which are identical or similar to provisions now in the statute related to the CWT program. Among these are provisions requiring that—

Appropriate standards for health, safety, and other conditions applicable to the work are established and maintained.

Payments for work are at rates not less than the minimum, if any, provided under applicable State and Federal law and not less than the prevailing rates on similar work in the community (exceptions would be made for learners and handicapped persons).

The projects on which work is performed serve a useful community purpose, and do not displace regular workers.

The needs of the child or adult for reasonable work or training expenses will be included in the assistance budget for the family.

The child or relative shall have reasonable time to seek regular work.

The individual working will be covered by workmen's compensation laws or have comparable protection.

The State plan includes provisions for using the services of the State employment service to assist the individuals in the program to obtain employment or suitable training, and to make maximum use of other services provided by the employment service or under the MDTA program.

The State plan includes provisions for cooperative arrangements with Federal and State agencies responsible for the administration of vocational education and adult education programs, in order to make maximum use of these resources and to encourage training and retraining as appropriate.

There will be no recovery or adjustment by the State or locality on account of any payment correctly made for work performed.

Provisions in the law since 1962 and continued under the committee bill provide, as indicated above, that payment for work performed shall be at a rate not less than the minimum, if any, specified under State law and not less than the prevailing rate for similar work in the community. The committee is aware of the Federal and State minimum wage laws and with an expanded program, as envisioned by this bill, is concerned that these minimum wage provisions not handicap the establishment of constructive programs in the States. The original provision in the community, work, and training legislation is now expanded to give equivalency to the situation under the wage-and-hour laws, and is based on the view that the AFDC participant under the CWT program, including arrangements for training with private employers, is not in an employment relationship, or otherwise subject, because of this activity, to the wage and hours laws (or the internal revenue, social security, or workmen's compensation laws). For this reason, the committee urges that the Secretary of Labor find it possible to classify the beneficiaries of this program as not being included under the Federal minimum wage law.

In some States, individuals who receive assistance are required to reimburse the agency in the event they should later acquire the re-
sources to make this possible. Your committee believes that in the event an individual receives his assistance in the form of work or training under the provisions of this amendment, he should not at a later date be expected to reimburse the agency for the value of the assistance received. A provision in existing law to carry out this intention is continued under the bill.

(f) Incentives for employment—Disregarding some earned income.—A key element in any program for work and training for assistance recipients is an incentive for people to take employment. If all the earnings of a needy person are deducted from his assistance payment, he has no gain for his effort. Currently, there is no provision in the Social Security Act under which States may permit an employed parent or other relative to retain some of his earnings. There is no doubt, in the opinion of your committee, that the number who take work can be greatly increased if, in conjunction with the improved program of work and training and the emphasis on a family plan for employment, both of which are provided for under the bill, there may be added to title IV some specific incentives for adults to work. Research and demonstration projects have illustrated that more recipients will go to work when an incentive exists.

Currently, the law provides that States may disregard the earnings of children under the AFDC program up to $50 a month per child with a family maximum of $150 a month, and up to $5 a month per recipient of any income. In addition, the earnings or any other income of a family under the AFDC program may be set aside for the future identifiable needs of children in the family. The law also has various provisions for the disregarding of earnings and some income other than earnings in all the other public assistance programs.

In the past few years, there has been a proliferation of provisions enacted by the Congress, in legislation other than the Social Security Act, disregarding the income of certain public assistance recipients if the income comes from certain programs. For instance title VII of the Economic Opportunity Act provides for the disregarding of payments, for purposes of public assistance, under titles I, II, and III of that act. The first $85 a month of such income and one-half of the remainder is specified to be disregarded. Section 109 of the Elementary and Secondary School Act of 1965 provides that, for a period of 1 year, the first $85 a month earned in any month for services under that act shall be disregarded for purposes of determining need under the AFDC program.

These provisions for the disregarding of earnings for public assistance recipients illustrate that the principle has been well recognized that an economic incentive for employment is essential in work programs. Yet, all these provisions, taken together, are piecemeal in approach, have gaps in their coverage, are confusing to public welfare personnel administering assistance programs and are discriminatory in that earnings from regular employment are treated differently than earnings under the specified program.

Your committee bill provides that States disregard the first $30 a month of earnings (applicable to the family if there is more than one earner) of an adult or a child over the age of 16 and under the age of 21 who is not attending school, and one-third of all other earnings. Sim-
ilar provisions will apply with respect to any other individuals whose needs are taken into account in determining the need of the child and its family. All earnings of children under 16 and of those 16-21 who are regularly attending school on a full-time basis would be exempt. Your committee believes that this provision will furnish incentives for AFDC recipients to take employment and, in many cases, increase their earnings to the point where they become self-supporting. The enactment of the committee's recommendations in this respect will make unnecessary provisions in other legislation and, thus, such legislation, as it would apply to AFDC recipients, would be superseded by the provisions in the committee bill.

The earnings exemption provisions will apply if for any one of the past 4 months the family was eligible for a payment. This provision gives people an opportunity to try employment without worrying about forfeiting their eligibility to again receive assistance if their employment terminates quickly.

The bill contains provisions which will prevent increasing the number of persons receiving assistance as a result of the earnings exemptions. The provisions discussed above are to become available only with respect to persons whose income was not in excess of their needs as determined by the State agency without the application of this provision for the disregarding of income. That is, only if a family's total income falls below the standard of need will the earnings exemption be available. One possible result of this provision is that one family, who started out below assistance levels, will have some grant payable at certain earnings levels because of the exemption of later earnings while another family which already had the same earnings will receive no grant. Your committee appreciates the objections to this type of situation which can be made; but the alternative would have increased the costs of the proposal by about $160 million a year by placing people on the AFDC rolls who now have earnings in excess of their need for public assistance as determined under their State plan. In short, the various provisions included in your committee's bill are designed to get people off AFDC rolls, not put them on. As an example of these provisions, take a family consisting of a mother and three children who have a grant of $200 a month. If the mother goes to work and earns $120 in a month, her family will get the $120 of earnings plus $140 of grant (two-thirds of the earnings above $30 would have been deducted) for a total of $260.

In order to avoid situations where people would deliberately bring their earnings down to get the earnings exemptions, the committee bill provides that individuals who deliberately reduce their earned income or terminate their employment within a period (of not less than 30 days) specified by the Secretary (before applying for aid) will not qualify for the earnings exemption.

This provision would become mandatory on the States on July 1, 1969. States could include such provisions beginning October 1, 1967.

(g) Assistance to children of the unemployed.—The program of benefits for the dependent children of unemployed parents was established on a 1-year basis in 1961 and subsequently extended for 5 years
by the 1962 amendments to the Social Security Act. The program is optional with the States and currently 22 States have programs under the Federal legislation.

A major characteristic of the law is the authority left to the States to define "unemployment." Your committee believes that this has worked to the detriment of the program because of the wide variation in the definitions used by the States. In some instances, the definitions have been very narrow so that only a few people have been helped. In other States, the definitions have gone beyond anything that the Congress originally envisioned. Your committee's bill is designed to correct this situation and to make other improvements in the program.

The overall objective of the amendments proposed by the committee is to authorize a Federal definition of unemployment by the Secretary (but within certain limits set forth in the legislation), to tie the program more closely to the work and training program authorized by the bill, and to protect only the children of unemployed fathers who have had a recent attachment to the work force. With these changes, the committee recommends that the program become a permanent part of the Social Security Act, still on an optional basis with the States.

This program was originally conceived as one to provide aid for the children of unemployed fathers. However, some States make families in which the father is working but the mother is unemployed eligible. The bill would not allow such situations. Under the bill, the program could apply only to the children of unemployed fathers. Moreover, it is the intent of your committee to exclude from the program those fathers who have not been in the labor force, or whose attachment to the labor force has been casual. Under the bill, Federal sharing will be limited to cases where the father has had at least six quarters of work in any 18-quarter period ending during the year before application for assistance. A quarter of work is one in which the father had earnings of at least $50. A quarter of coverage under the social security program would also be a "quarter of work" so that welfare agencies could use the social security earnings record to verify eligibility under this provision. If a father had been eligible for unemployment compensation or would have been eligible if his employment had been covered within the year before applying for assistance, the six quarters of work requirement would not have to be met. In addition, it is provided that the father must have been unemployed (as defined by the Secretary) for at least 30 days prior to receipt of assistance. Under the committee bill, States must exclude from the program anyone who is receiving unemployment compensation. The bill provides that persons who have fulfilled the requirements at any time after April 1961 (related to the date of enactment of the original unemployed parent legislation) will be considered to be eligible with respect to the quarters of work provision for up to 6 months after a State plan under these provisions becomes operative. Fathers who are now on the rolls, and who met the work requirements at any time after April 1961, would continue to be eligible if other requirements are met.

The State plan will need to assure that the services of the public employment offices in the State will be utilized to find work or other training opportunities for the unemployed fathers. Registration with the employment service and periodic reregistration are required as
a condition for the family receiving assistance with Federal sharing. The State agency will need to have a cooperative arrangement with the agency administering the vocational education program to assure maximum utilization of this program to aid the upgrading of the work skills of unemployed fathers. There are provisions designed to assure that the unemployed fathers to be aided under this program are accepting bona fide offers of employment or training. Aid would be discontinued if the father refused to accept employment in which he is able to engage which is offered either through the State employment office or through an employer. The States are required to make certain that the job offer is bona fide and to offer the individual a fair hearing on the specific issue of his refusal. Similar provisions apply to training opportunities. The fathers must be enrolled in a work and training program within 30 days after the family starts to receive aid.

(b) Temporary emergency assistance.—Your committee's bill is concerned with several major objectives—to assure needed care for children, to focus maximum effort on self-support by families, and to provide more flexible and appropriate tools to accomplish these objectives. The bill broadens the provisions of protective payments, it authorizes vendor payments, provides work and training opportunities, expands foster care for children, and makes day care available where needed to children of working parents. Thus, it materially improves the program in relation to the care and protection of children.

Your committee understands that the process of determining eligibility and authorizing payments frequently precludes the meeting of emergency needs when a crisis occurs. In the event of eviction, or when utilities are turned off, or when an alcoholic parent leaves children without food, immediate action is necessary. It frequently is unavailable under State programs today. When a child is suddenly deprived of his parents by their accidental death or when the agency finds that the conditions in the home are contrary to the child's welfare, the normal methods of payment have to be suspended while new arrangements and court referrals are made.

To encourage public welfare agencies to move promptly and with maximum effectiveness in such situations, the bill contains an offer to the States of 50-percent participation in emergency assistance payments and the usual 75-percent participation in social services that may be provided. The time period in which such assistance might be provided is limited to one period of 30 days or less in any 12-month period. The eligible families involved are those with children under 21 who either are or have recently been living with close relatives. The families do not have to be receiving or eligible upon application to receive AFDC (although they are generally of the same type), but they must be without available resources and the payment or service must be necessary in order to meet an immediate need that would not otherwise be met.

Assistance might be in any form—money, medical aid, payment of rent or utilities, orders from food or clothing stores, etc. The provision is broad enough that emergencies can be met in migrant families as well as those meeting residence requirements of the State’s AFDC program. Its utilization would be optional with the States.
(i) Limitation on aid to families with dependent children eligibles.—Your committee believes that Federal financial participation in the AFDC program must be kept within reasonable bounds. In addition to the measures described earlier which are designed to reduce the number of children on the AFDC rolls, the bill would impose a limit on Federal financial participation designed to freeze the present situation with respect to that category which is growing most rapidly. Specifically, the bill would not allow Federal participation in the future for a higher proportion of children than is now on the rolls. Since it is the category of “parent absent from the home” which is expected to grow, it is this category which would be the benchmark for the freeze. Under the bill, the proportion of all children under age 21 who were receiving aid to families with dependent children in each State in January, 1967, on the basis that a parent was absent from the home, would not be exceeded for Federal participation after 1967.

This provision should also give the States an incentive to make effective use of the constructive programs which the bill would establish. This provision would not apply to the children of unemployed fathers (or of deceased or disabled parents). Therefore, States which have not adopted a program for children of unemployed fathers would not be disadvantaged by this provision.

(j) Summary.—The provisions of your committee bill to amend the AFDC program, when taken all together, constitute a new approach to the solution of the difficult problems which result in over a million families having to depend upon the program. Your committee recognizes that the bill would require the States to take on new and expensive tasks. Yet, if the job is to be done—if the number of families on AFDC is to be kept to the minimum—these new activities must begin in earnest. The Federal Government, which is the main financial support for the program, must be assured that the States carry out the intent of the Congress when taking on the new and expanded functions which will be required of them.

The bill makes adequate Federal financial support for these expanded functions. It is estimated that by 1972, $930 million will be spent by the Federal Government on these functions. At the same time it is estimated that the new provisions will mean that 400,000 fewer children will be receiving aid in that year than if the law were continued in its present form.

Moreover, your committee intends that the Department of Health, Education, and Welfare make changes in its administrative directives under existing provisions of law which will be appropriate under the new provisions added by the bill. Specifically, your committee intends that the Department interpret its authority under present law to prescribe methods of administration which “are found by the Secretary to be necessary for the proper and efficient operation of the plan” in a manner which will support the intent of the committee.

2. Public assistance and child welfare

(a) Social work manpower.—The successful operation of public welfare as well as many other programs is dependent upon sufficient numbers of trained social work personnel. The effective operation of all such programs is endangered by the serious shortage of such
people. At the present time, the graduate schools of social work are operating at capacity, yet the number of graduate social workers is totally inadequate to meet the growing need for persons with such skills. Undergraduate preparation for social work is almost totally lacking, yet persons with such preparation have an important part to play in many of the social welfare programs, especially the administration of public welfare services. Properly prepared persons with the A.B. degree can carry the basic caseworker job in public welfare programs, with the graduate social workers serving as supervisors, consultants, and program planners. Your committee is concerned about the growing gap between the numbers of social workers needed and the numbers being prepared to work in this field. For many years, States have been able to receive Federal sharing in the cost of training employees or those preparing to become employees. Under the 1962 legislation, the rate of Federal sharing in this cost was raised from 50 to 75 percent. This has been a useful provision and a significant number of persons have received some training. The number, however, is totally inadequate for the needs of the public welfare program. Only about 4 percent of the workers in public welfare have a graduate degree in social work. The bottleneck right now, is the capacity of the schools and colleges to prepare people for social work careers.

Your committee believes that it would be a wise investment for some Federal funds to be made available to public or nonprofit private colleges and universities and to accredited graduate schools of social work (or an association of such schools) to help meet the cost of expanding their capacity to train social workers. The committee bill, therefore, authorizes an appropriation of $5 million for the fiscal year 1969 and each of the three succeeding fiscal years to meet part of the cost of development, expansion, or improvement of undergraduate programs in social welfare or social work and graduate training of professional social work personnel, including the cost of additional faculty, administrative personnel and minor improvements to existing facilities. Under the committee bill, no less than one-half the amount appropriated is to be devoted to the undergraduate program. This money will enable the specified institutions to add additional faculty to their staff, and related administrative personnel, and to improve library and other resources needed for the students and faculty.

The distribution of social workers around the country is uneven and although all parts of the Nation have a shortage, in some parts the shortage is critical. It is the expectation of the committee that the Department will administer this provision in such a manner as to take into account relative need among the States for social work personnel.

(b) Homeownership by assistance recipient.—In its review of State practices in the determination of need, the committee gave some attention to the extent to which State policies make it possible for people applying for public assistance who are homeowners to retain ownership of their homes. Your committee believes there are many advantages in homeownership and does not want the assistance programs to diminish homeownership. To accomplish the committee's goal, the cost of taxes, home repair and maintenance must be recognized as an item in the State standards of assistance. There is authority under
present law for States to give consideration to these costs and it is indeed essential for States to do so if the housing standards of assistance recipients are to be improved.

Obviously, States have no difficulty in including in the assistance standards amounts for taxes and other regular charges in lieu of rent. Problems do arise, however, when it becomes necessary for repairs to be made in order to achieve or maintain decent housing for recipients who own their homes. It is usually not feasible to give the recipient sums like $300 for repair. For this reason, the committee bill provides that States may under title I, X, XIV, or XVI make payments, under certain specified conditions, for home repairs, capital improvements, with Federal sharing at the dollar-for-dollar rate. This kind of expenditure is limited to a total of $500 and would be made only when such expenditures will assure the recipient of continued use of his home and when the expenditure will provide housing at less cost than rent for suitable accommodations.

The committee is asking the Secretary of HEW to make a study of State policies with respect to homeownership and to report his findings to the committee together with recommendations on ways the housing standards of assistance recipients may be improved. The committee expects to have the report by January 1, 1969.

(c) Demonstration projects.—One of the most potentially useful provisions included in the 1962 amendments provided the Secretary with authority to waive requirements in the law in the interest of encouraging demonstration projects in States and to provide some additional financing. The statute provided for $2 million to be available to help finance demonstration projects by State public welfare agencies. A program that expends in excess of $5 billion annually in Federal funds needs the advantage of experimentation in order to discover ways of improving the quality of administration and to further assist the needy to become self-supporting or better able to care for themselves. States have reported limitations on their ability to initiate demonstration projects because the $2 million limitation does not permit all worthy proposals to be approved. For this reason, the committee bill proposes that this amount be raised to $4 million.

While the committee realizes that not all demonstrations will be successful, and is aware of criticism which has been made about the present program, it has urged the Department of HEW to use these funds in an intelligent, imaginative fashion. To assure that these projects and other experimental, pilot, or demonstration projects which are funded in total through the Social Security Act achieve these goals, the Secretary or Under Secretary of Health, Education, and Welfare must personally approve each such project and promptly notify the Congress with respect to its purpose, cost, and expected duration. It is also expected that reasonable efforts will be made to avoid duplication with respect to such projects.

(d) Partial payments to States.—Under current provisions of law, when a State fails to comply with its State plan or otherwise does not comply with any of the provisions for State plans contained in any of the titles of the Social Security Act, the penalty, after proper notice to the State and an opportunity for a fair hearing, is the
suspension of Federal funds for the entire categorical program under question. This is such a severe penalty that it is virtually impossible to invoke. To remedy this situation, the committee bill includes a provision giving the Secretary the authority to withhold payments to a State with respect to that part of the State plan which is not being complied with. For example, Federal funds for financing the cost of hospital care under title XIX might be withheld in the event a State should not be paying the reasonable cost of that service as provided under the law.

(c) Impact of social security benefit increase on public assistance payments.—Your committee is aware that those social security beneficiaries who are receiving cash public assistance payments may have their assistance payments reduced by the amount of the increase in the social security benefit. (Of course, some of them will receive enough of an increase to go off the assistance rolls entirely.) The committee would like to point out that under provisions now in the law the States are able to disregard up to $5 a month of any type of income in determining eligibility under the various cash assistance programs. Only 16 States have used this provision at all, so the rest of the States can use the existing provision of they wish to do so to take care of the social security benefit provided by this bill. Moreover, all the States are free to recognize increases in the cost of living in establishing the levels of the payments under cash assistance and could in this way assure that assistance recipients would get the benefit of at least some of the social security benefit increase. Finally, those States that are not paying full need are free to disregard this income from the benefit increase (along with other income on a comparable basis) up to their full standard of need.

(f) Child welfare services.—In addition to providing substantially greater Federal participation in the cost of foster home care under the aid to families with dependent children program, H.R. 12080 would consolidate grants for child welfare services under the same title of the Social Security Act as AFDC and would strengthen the program by---

(1) Increasing the authorizations for appropriation from $55 million for the fiscal year ending June 30, 1969, and $60 million for the fiscal year ending June 30, 1970, and each fiscal year thereafter to $100 million for the fiscal year 1969 and $110 million for each fiscal year thereafter.

(2) Amending the child welfare research and demonstration authority now contained in section 526 of the Social Security Act to make possible dissemination of research and demonstration findings into program activity through multiple demonstrations on a regional basis and to encourage State and local agencies administering public child welfare services programs to develop and staff new and innovative services; and to provide contract authority to make it possible to direct research into neglected and vital areas.

Child welfare services include a wide range of preventive and protective services such as casework services to children and their parents, services to unmarried mothers and their babies, homemaker and day
care services to help keep the child in his own home, foster care in foster family homes or institutions when a child must be removed from his home and adoption services to provide a new permanent home for a child who has lost his home. Child welfare services both supplement and substitute for parental care and supervision. They are designed to protect children from the damage of abuse and neglect, but more importantly to prevent such abuse and neglect.

States use Federal funds together with State and local funds to provide child welfare services through State and local departments of public welfare. States are required to match Federal funds appropriated under the authorization on a variable basis ranging from 33¼ to 66⅔ percent, but actually the Federal share amounts to only about 10 percent of total expenditures.

Child welfare services help to prevent family breakdown and the unnecessary separation of children from parents. However, some children have no homes or cannot remain at home. For some of these children, adoption provides a permanent home. For many others, such as the most deprived young children, the handicapped, and older children and youth, foster families and group care facilities may be necessary until they are able to take responsibility for their own lives.

Foster children are not the orphans that agencies frequently served in the past. Less than 2 percent of the children in public child welfare agency caseloads have lost both parents by death. Today, the majority are the children of immature and inadequate parents who themselves usually show the scars of harmful family conditions. It is estimated that at least 10,000 child abuse cases annually result from injury inflicted on children by their own parents. However, this figure represents only about 10 percent of the larger problem of child neglect cases.

In March 1966 nearly 574,000 children received services from public child welfare agencies, a 9-percent increase over March 1965. Just under half of these children lived with parents or relatives, about a third were in foster family homes, 10 percent were in institutions, and 7 percent in adoptive homes. Total expenditures for public child welfare services in 1966 were over $397 million.

In March 1966, the number of children receiving foster care through public child welfare agencies increased to about 245,600 or a 6-percent increase over March 1965. Expenditures for foster care payments in 1965 were about $229 million, with State and local governments meeting 98 percent of the costs. They accounted for 65 percent of the total expenditures of State and local public welfare agencies for child welfare services in that year. In 1966 expenditures for foster care were over $258 million.

Your committee believes that the increase in the authorization for appropriations for child welfare services included in the bill will be of substantial help to States in meeting the costs of foster care of children in need of such care, and will expect States to use most of their increased allotments of Federal funds which result for foster care of children. The change in the foster care provisions of the
AFDC program described previously will increase Federal participation in foster care by $20 million in 1970.

The research and demonstration authority in child welfare authorizes grants for projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare. This program has been in operation for 5 years and a number of significant findings have accrued that warrant implementation. Your committee believes that translation into program activity is essential if the gap between research findings and utilization of such findings is to be bridged. Therefore, the bill also amends the research and demonstration authority in child welfare to make possible translation of research and demonstration findings into program activity through multiple demonstrations on a regional basis, and to provide contract authority not now authorized.

Such clearly demonstrated innovations as the utilization of non-professional staff for licensing foster family homes and day care centers, or the use of homemakers with families with severely physically or mentally handicapped infants are examples of the type of very successful demonstrations that should be disseminated and incorporated into the program on a broad scale. Experimental and special types of child welfare services also need demonstration in ongoing programs. Diversification in the use of group homes for special groups of children such as adolescents, or children returning from public training schools to community life, or development of effective methods for the delivery of protective services for children reported under child abuse reporting legislation are examples of the types of innovative services which could have great impact on public social services to children and which should be developed and tested on an experimental basis in a number of places under varying conditions.

Contract authority will make it possible to direct research into neglected but vitally important areas such as cost analysis, systems development, organizational structure, records and reporting systems, and demographic studies.

(g) Cooperative research and demonstration projects.—In 1956, Congress enacted section 1110 of the Social Security Act which authorizes grants, contracts, and other cooperative arrangements for projects related to the reduction of dependency and similar purposes. The authority is limited to such arrangements with public and nonprofit private agencies. The Department of Health, Education, and Welfare has advised the committee that in the field of social research some of the best work is being done by profitmaking establishments and that the number of nonprofit organizations engaging in such research is extremely limited. While the committee does not believe it would be appropriate to make grants to profitmaking agencies, it does believe that the Department should be able to contract with whatever organization or agency can best do research jobs that are desired to be undertaken by the Department. The bill accordingly deletes the requirement that contracts be limited to nonprofit agencies.
(h) Puerto Rico, Virgin Islands, and Guam.—Your committee has been advised by representatives of the Government of Puerto Rico that the dollar limitation of $9.8 million on assistance payments and certain other expenses which is included in section 1108 of the Social Security Act unduly limits the expansion and improvement of public assistance programs and that certain other provisions of your committee's bill cannot be promptly implemented. The bill accordingly provides for five annual increases in the limitations and makes a number of other adjustments. Proportionate increases have been made in the dollar ceilings and similar delays in effective dates have been authorized for the Virgin Islands and Guam. The dollar ceilings would be:

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<th>Fiscal year</th>
<th>Puerto Rico</th>
<th>Virgin Islands</th>
<th>Guam</th>
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<tr>
<td>1968</td>
<td>$12,500,000</td>
<td>$425,000</td>
<td>$575,000</td>
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<tr>
<td>1969</td>
<td>$15,000,000</td>
<td>$500,000</td>
<td>$690,000</td>
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<tr>
<td>1970</td>
<td>$18,000,000</td>
<td>$600,000</td>
<td>$825,000</td>
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<td>1971</td>
<td>$21,000,000</td>
<td>$700,000</td>
<td>$960,000</td>
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<tr>
<td>1972 and thereafter</td>
<td>$24,000,000</td>
<td>$800,000</td>
<td>$1,100,000</td>
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In addition to these amounts, the Secretary is authorized to certify additional payments to be used for services related to community work and training and for family planning services in the following amounts:

- Puerto Rico: $2,000,000
- Virgin Islands: $65,000
- Guam: $90,000

The provisions of the bill which impose limitations on Federal sharing with respect to medical assistance relate income eligibility for such assistance to the amount of cash assistance paid. In Puerto Rico, these amounts are about $8 for an adult recipient and $13 for a family. These provisions would impose a cutback in these programs greatly exceeding that of any State. The bill would accordingly exempt the three jurisdictions from the relationship applicable to the States. In lieu thereof, it would place the following limitation on the amount of Federal contribution to title XIX programs.

- Puerto Rico: $20,000,000
- Virgin Islands: $650,000
- Guam: $900,000

The rate of Federal participation in medical assistance for the three jurisdictions is reduced from 55 to 50 percent (the same percentage that is applicable to other assistance).

The requirement for freedom of choice in medical assistance programs (i.e., of hospital, doctor, etc.) is extended to July 1, 1972; as is the requirement for partial exemptions of earnings. With regard to the latter, the Committee expects the Secretary and the Commonwealth, or the appropriate agencies of the other jurisdictions to work out a somewhat lower figure that is appropriate in view of the differences in income.

The rate of Federal participation in social services and those services related to training and employment would be 60 percent in these jurisdictions rather than 85 percent prior to July 1, 1969 and 75 percent thereafter.
### SOCIAL SECURITY AMENDMENTS OF 1967

#### (i) Detail of public welfare costs in committee bill.—

[Dollars in millions]

[Note: Costs are based on 1968 prices except as noted in the assumptions]

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Fiscal year 1968</th>
<th>Fiscal year 1972</th>
</tr>
</thead>
</table>

**Public assistance:**

- AFDC costs if there is no change in present law
  - $1,462
- Title XIX costs if there is no change in present law
  - $3,318
- All other public assistance costs if there is no change in present law
  - $1,647

**Subtotal, present law**

- $4,500
- $6,731

**Increases in the committee bill:**

- Day care
  - $470
- Other social services
  - $125
- Earnings exemptions
  - $35
- Work-training
  - $275
- Foster care under AFDC
  - $40
- Emergency assistance
  - $35
- Puerto Rico et al.
  - $36
- Demonstration projects
  - $2
- Additional child health requirements in Title XIX
  - $50

**Subtotal, increases**

- $425
- $999.5

**Decreases in the committee bill:**

- AFDC limitation
  - $18
- AFDC reductions for persons trained who become self-sufficient
  - $130
- Restrictions on Title XIX
  - $1,424
- Decrease in public assistance due to social security benefit increase
  - $85
- $210

**Subtotal, decreases**

- $103
- $1,774

**Total, public assistance as amended by committee bill**

- $4,422
- $5,357.5

**Child welfare:**

- Present law
  - $55
- $60

**Increase for child welfare services**

- $20

**Increase for child welfare research**

- $15

**Subtotal, increases**

- $55

**Social work manpower**

- $5

**Net public welfare savings in committee bill**

- $78
- $713.5

---

1. Assumes annual increase in the rolls of about 200,000, based on the experience of the past several years; allows for increase of $1 each year in the average monthly payment per recipient, in line with recent experience.
2. Includes all medical vendor payments; assumes 5 percent annual increase in unit costs after 1968.
3. Assumes continued decline in number of old-age assistance and aid to the blind recipients, and continued increase in aid to the permanently and totally disabled, based on experience; allows for increases in average payments.
4. Assumes annual increase in the rolls of about 200,000, based on the experience of the past several years; allows for increase of $1 each year in the average monthly payment per recipient, in line with recent experience.
5. Assumes that social security benefit increases will fully reduce public assistance payments.
6. $46,000,000 in 1968 budget.

### 3. Medical assistance provisions

#### (a) Background of provisions.—The Congress included in the Social Security Amendments of 1965 provision for grants to the States for a medical assistance program—title XIX of the Social Security Act. This Federal-State program, designed to assist low-income persons unable to pay the cost of medical care, was built upon the principles of the 1960 medical assistance for the aged program by extending them to include needy children and other persons encompassed within the public assistance categories for the blind and disabled. States availing themselves of it were provided a more systematic basis for medical payments on behalf of recipients of public assistance and other medically needy persons.

States have taken advantage of the new title rapidly. Some 30 States, Guam, Puerto Rico, and the Virgin Islands already have programs in operation, and eight additional States are expected to be in operation.
soon. While most of the State plans raise no question at this time, a few go well beyond your committee's intent and what your committee believes to have been the intent of the Congress.

Your committee expected that the State plans submitted under title XIX would afford better medical care and services to persons unable to pay for adequate care. It neither expected nor intended that such care would supplant health insurance presently carried or presently provided under collective bargaining agreements for individuals and families in or close to an average income range. Your committee is also concerned that the operation of some State plans may greatly reduce the incentives for persons aged 65 or over to participate in the supplementary medical insurance program of title XVIII of the Social Security Act, which was also established by the Social Security Amendments of 1965. The provisions of the bill are directed toward eliminating, insofar as Federal sharing is concerned, these clearly unintended and, in your committee's judgment, undesirable actual and potential effects of the legislation.

Your committee never intended that Federal matching under title XIX would be made in the case of a considerable portion of the adult working population of moderate income. For this reason, your committee is recommending provisions to establish cutoff points for Federal matching under title XIX. In addition, other provisions are included to deal with other problems the committee found in title XIX. The provisions in the law dealing with the maintenance of State effort have proven to be too onerous and to be giving the wrong direction to the program. These provisions would be modified to give the States more flexibility. In addition, the provisions on comparability of services would be modified to assist in the orderly administration of the program.

(b) Limitations on eligibility.—Your committee is disturbed over the trend in the programs of some States to reach into the middle-income group in defining who is medically needy. This matter was the subject of considerable discussion in the committee last year and a bill, H.R. 18225, designed to deal with the problem, was reported favorably to the House by the committee on October 11. The Congress adjourned before action was taken on it.

That bill made some proposals to curtail the scope of the program to be subject to Federal financial participation. After further study, your committee is proposing a somewhat different approach to meet the same general problem. This bill, as last year's, does not in any way place a limitation on what a State can do in developing a broad liberal program. It merely sets a limit on Federal sharing and leaves to the States the option to go beyond this, at their own expense.

The proposal in the committee's bill sets two limits on Federal financial participation with respect to the income level States established in determining who is medically needy. Under the law, each State which extends its program to include the medically needy must set dollar amounts that an individual and families of various sizes will need to provide them with the basic living standard the State has set. Persons at or below those levels are considered unable to contribute anything toward the cost of their medical care; persons above those limits are considered to have some income available to pay toward the
cost of the medical services they need. Your committee is proposing, for all State plans approved after July 25, 1967, that Federal sharing will not be available for families whose income exceeds $133\frac{1}{3}$ percent of the highest amount ordinarily paid to a family of the same size (without any income and resources) in the form of money payments under the AFDC program. (AFDC income limits are, generally speaking, the lowest that are used in the categorical assistance programs.) The Secretary is given discretion to make appropriate adjustments if a State applies a uniform maximum to families of different sizes. The bill provides a further test of the matchability of State expenditures in this area, by setting a figure of $133\frac{1}{3}$ percent of the average per capita income of a State as the upper limit on Federal sharing when applied to a family of four under the title XIX program. That figure would be proportionately reduced or increased to reflect the level for smaller or larger family groups.

For States with plans already approved, the limit of Federal sharing under both tests would be 150 percent effective July 1, 1968, 140 percent effective January 1, 1969, and $133\frac{1}{3}$ percent on January 1, 1970. This staggered period of reduction will enable the States affected to make the necessary adjustments either in the scope of the program they offer in the State or in their State financing arrangements.

The bill contains provisions intended to facilitate the calculations necessary under the limitations set forth above. Included in the amount ordinarily paid to a family under the AFDC program are not only amounts included in the State standard and made available to everyone in the State (such as food, shelter, and clothing), but also additional items which, although made available on a special needs basis, are provided to a major portion of persons receiving aid. Amounts paid for medical care, including insurance premiums would be excluded from computation of a family's income.

Provisions of present law under which a family's income is first reduced by the amount of their medical expenses in determining eligibility would be retained. For example, if a family has annual income of $4,000 in a State where the ceiling (for purposes of Federal participation) is $3,500, the family would be eligible after it had incurred $500 of medical expenses.

(c) Maintenance of State effort. As a part of the Social Security Amendments of 1965, a provision was included to assure that States did not replace existing State expenditures with Federal dollars made available under that legislation. This provision applied to the combined expenditures for money payments and for medical care. Some States have stated that in order to comply with this requirement, it was necessary for them to expand their medical assistance programs more rapidly than they otherwise might have. In order to avoid this situation, your committee bill gives the States an alternative of meeting the maintenance of State effort provision on the basis of their expenditures for money payments alone. An additional option is provided to permit expenditure for child welfare services to be taken into account. Thus, no State is penalized for limiting its medical assistance program to what it conceives to be sound and proper levels.

(d) Coordination of title XIX and the supplementary medical insurance program. Under existing law, States may "buy-in" for their
cash public assistance recipients aged 65 and over to the supplementary medical insurance program (SMI), authorized under title XVIII of the Social Security Act. Twenty-four States and Guam have chosen to “buy-in,” and others have been interested but have felt unable to do so because of certain other provision of title XIX, which are being modified in your committee bill.

Because of the desirability of attaining the highest possible participation of the aged in the SMI program and because of the advantages to States of “buying in” not only for the cash assistance recipients but also for other medically needy aged persons, a number of changes to achieve such results are incorporated in your committee bill.

The States would be given the option in this bill to “buy in” for all of their aged who are eligible for medical assistance, not just for those receiving cash assistance. In order to protect the SMI program from immediate claims from people already ill when the revised agreements are made, SMI protection would not be effective until the third month after the agreement was made. Individuals included later would also have a “waiting period” after they were included. These provisions should encourage States to provide and maintain SMI coverage for all medically needy aged persons.

Because your committee believes that both recipients and the States should have a maximum incentive to maintain SMI coverage, the bill provides that there will be no Federal participation in medical expenses which would have been covered by the SMI program had the individual for whom the expenditure was made been enrolled in that program.

Under existing law, States may not include in an agreement for SMI coverage individuals who become eligible after December 31, 1967. The bill would require that States desiring to enter into an agreement with the Secretary must request the agreement before January 1, 1970, but it would amend present law to permit individuals who become eligible after that time to be covered under the agreement.

Your committee believes that it is very much to the advantage of States to cover their medically needy aged under the SMI program, under which one-half of the cost is met from general revenues. It accordingly does not believe that it is appropriate for States to receive also Federal financial participation on the $3 monthly premium they pay on behalf of medically needy persons, and the bill so provides.

Medically needy persons included in the State “buy in” plan whose eligibility for medical assistance terminated would have the opportunity to continue their SMI coverage on an individual basis, just as cash assistance recipients can under existing law if they become ineligible for assistance. Most of the persons who have been cash assistance recipients, however, would probably continue to be covered as medically needy under the expanded “buy in” provision of the bill.

(e) Comparability provision modification.—Under existing law, a State plan for medical assistance must provide that benefits of the same amount, scope, and duration be provided to all individuals eligible for cash assistance under titles I, IV, X, XIV, and XVI; and that benefits of the same amount, scope, and duration must be made available to all medically needy persons included under the plan. If further provides that eligibility shall be determined under comparable standards.
Some of the implications of these so-called comparability provisions in title XIX could not be fully determined when they were placed in juxtaposition with the health insurance for the aged provisions of title XVIII hospital insurance under part A and supplementary medical insurance under part B. It was not fully realized that comparability would be a deterrent to States “buying in” for physicians’ services under the supplementary medical insurance program part B inasmuch as the comparability provisions require that, if the States “bought in” for the aged, they have to provide the services covered under part B of title XVIII for their title XIX eligibles of all ages.

The committee bill would correct this situation by providing an exception to present law to the effect that the arrangement made by a State to “buy in” to part B of title XVIII or provision for meeting part or all of the deductibles, cost sharing, or similar charges under part B, does not impose an obligation on the State to make comparable services available to other recipients. This provision will free the States to enter into agreements to pay the premium charges under part B or to pay the deductibles and other charges under that program without obligating States to provide the range of part B benefits to others under the program.

(f) Required services under medical assistance programs.—At the present time, as a condition of plan approval under title XIX, a State must provide five basic services: inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services and physicians’ services. This requirement has handicapped some States in developing suitable title XIX programs. To correct this situation, the committee bill provides two options to the States; either to provide the five basic services enumerated above, or to provide any seven from the first 14 services identified as services possible for inclusion in the program. This will give the States, as an option to including the five services mentioned above, seven services from a list which, in addition to the five, includes: (1) medical care, or any other type of remedial care recognized under State law, furnished by a licensed practitioner within the scope of his practice as defined by State law; (2) home health care services; (3) private duty nursing services; (4) clinic services; (5) dental services; (6) physical therapy and related services; (7) prescribed drugs, dentures and prosthetic devices and eyeglasses; (8) other diagnostic, screening, preventive, and rehabilitative services; and (9) inpatient hospital services and skilled nursing home services for individuals over age 65 in an institution for mental diseases.

(g) Extent of Federal participation in certain administrative expenses.—The Social Security Amendments of 1965 provided that there should be 75 percent Federal participation in sums attributable to the compensation and training of skilled professional medical personnel and staff directly supporting such personnel of the State or local agency administering title XIX. In a number of States, where the welfare agency has been designated as the State agency, administrative responsibility for the medical phases of the program has been contracted out to the State health department. In this situation, however, the health department is not the single State agency, and the special 75 percent Federal matching is not available to meet the costs of its skilled medical personnel and supportive staff who are directly involved in
administering the title XIX program. Your committee bill would remedy this situation by allowing 75 percent matching not only for the skilled professional medical personnel of the State agency, but also for any other public agency involved in administration of the program. The requirement in existing law that such matching shall be extended only to such expenditures as the Secretary of Health, Education, and Welfare finds necessary for the proper and efficient administration of the State plan would be retained.

(h) Advisory Council on Medical Assistance.—The Health Insurance Benefits Advisory Council, established under title XVIII of the Social Security Act has provided the Department of Health, Education, and Welfare with an opportunity to obtain advice and learn of the views of a variety of individuals interested and knowledgeable about medical administration. Although the Department has made use of advisory groups in the administration of title XIX, the law does not provide the machinery for the orderly use of a permanent advisory group. To correct this weakness in title XIX, the committee bill would provide for an Advisory Council on Medical Assistance comparable to that authorized under title XVIII. The Council would consist of 21 members with one of the members acting, upon appointment by the Secretary, as chairman. The members are to include representatives of State and local agencies and non-governmental groups concerned with health, and consumers of health services, with a majority to consist of representatives of consumers of health services. Members are to hold office for a term of 4 years, with the initial membership appointed for terms of varying length to permit the subsequent staggering of membership appointments. Members would not be permitted to serve for more than two consecutive terms. Members would be reimbursed for their travel expenses and would receive compensation at a rate not to exceed $100 a day.

(i) Free choice of medical services.—Under the current provisions of law, there is no requirement on the State that recipients of medical assistance under a State title XIX program shall have freedom in their choice of medical institution or medical practitioner. In order to provide this freedom, a characteristic of our medical care system in this country, a new provision is included in the law to require States to offer this choice. Effective July 1, 1969, States are required to permit the individual to obtain his medical care from any institution, agency, or person, qualified to perform the service or services, including an organization which provides such services or arranges for their availability on a prepayment plan. Under this provision, an individual is to have a choice from among qualified providers of service. Inasmuch as States may, under title XIX, set certain standards for the provision of care, and may establish rates for payment, it is possible that some providers of service may still not be willing or considered qualified to provide the services included in the State plan. This provision does not obligate the State to pay the charges of the provider without reference to its schedule of charges, or its standards of care. The provisions would apply to Puerto Rico, Guam, and the Virgin Islands on July 1, 1972.

(j) Consultation to institutions providing medical care.—One of the problems which has been recognized in the administration of titles XVIII and XIX is the difficulty in certifying the eligibility of
certain suppliers of medical service. For this reason, your committee has included in the bill a provision requiring the States to offer special consultation, effective July 1, 1969, to various medical agencies to enable them to qualify for payment under the law, to establish and maintain fiscal records necessary for the proper and efficient administration of the law, and to provide information needed to determine payments due under the titles XVIII (medicare) title V (child health) and title XIX (medicaid). The medical suppliers included are hospitals, nursing homes, home health agencies, laboratories and other institutions as the Secretary shall specify. Provisions now in title XVIII which apply to certain providers of medical care would be repealed effective also July 1, 1969.

(k) Payment for services by a third party.—It is obvious that many people need medical care because of an accident or illness for which someone else has fiscal liability; for example, a health insurer or a party who is determined by a court to have legal liability. In order to make certain that the State and the Federal Governments will receive proper reimbursement for medical assistance paid to an eligible person when such third-party liability exists, a new requirement would be included in title XIX. Under this provision, the State or local agency would have to take all reasonable measures to ascertain the legal liabilities of third parties to pay for covered services. Where the legal liability is known it would be treated as a resource of the recipient. In addition, if medical assistance is granted and legal liability of a third party is established later, the State or local agency must seek reimbursement from such party. The Federal Government would receive its share of any reimbursement received.

Your committee has not included a similar provision in title XVIII of the Social Security Act, although it recognizes the possibility that duplicate payments can in some instances be made for services covered under both the health insurance program and a private health, disability or personal injury insurance policy. Such situations will, however, become increasingly infrequent. Most private insurance companies have modified their health insurance policies for the aged to make them supplementary to the benefits that are payable under the title XVIII health insurance program, and in other instances the private policies bar payment of benefits for services covered by a government program. Your committee expects that the private insurance companies, including those which are intermediaries or carriers under medicare and medicaid which have not yet taken steps to avoid duplication of their benefits with those of the Federal health insurance program will take such steps. Your committee expects also that the Department of Health, Education, and Welfare will give continuing attention to the developments that take place in private insurance practices with respect to persons having insurance protection against the same risk under multiple health insurance policies and programs. If provisions for sharing the risk among health insurance policies covering the same risk are developed, and these provisions are equitable to the insurers and the insured, consideration should be given to the possible application of such provisions to health insurance under social security.

(l) Payment to recipient of physicians bills.—Under the current provisions in title XIX, Federal participation is limited to payments
made by the State agency directly to suppliers of medical service—that is, only the vendor payment method. Your committee believes that it is appropriate for the States to have some latitude in this matter and is therefore, including in the bill a provision to make possible Federal sharing for the cost of payments made by the State directly to the recipient for physician bills, whether paid or unpaid. This provision would not apply to those recipients who are receiving cash assistance; it would apply only to the medically needy. This provision would not mean that States would have to change the basis for determining the amount payable for physicians’ services. For this reason, the committee expects that this provision would not result in any increase in physicians’ fees or any ultimate increase in program costs.

(m) Date on which States must meet certain requirements on sources of State funds.—Under the bill, States would have until July 1, 1969, rather than July 1, 1970, either to finance the State share under title XIX wholly from State funds or to establish a tax equalization plan which would, in effect, serve the same purpose. Your committee believes that the localities in many States should not be subjected to disproportionate burdens any longer than necessary. The States would have adequate time during which to modify their plans to meet this requirement by July 1, 1969.

C. IMPROVEMENT OF CHILD HEALTH

Title V of the original Social Security Act provided formula grants to States for two separate health programs: maternal and child health and crippled children’s services. Authorizations for these programs have been increased by the Congress from time to time, most recently in 1965.

Beginning in 1963, new earmarked authorizations were enacted for separate additional programs. Amendments in 1963 established new programs of project grants for maternity and infant care in low-income areas and grants for research relating to health services for mothers and children. Additional amendments in 1965 set up a project grant program of comprehensive health services to children and youth in low-income areas and another program to train professional personnel for the care of crippled children. A proposal before the committee this year would have initiated yet another project grant program, this one for the dental health of children.

In view of these developments as well as the initiation of other health programs for the children of low-income families, both within and beyond the jurisdiction of your committee, it was believed that the time had come to consolidate and more rationally arrange the various title V programs. (The child welfare program, as indicated earlier, is moved to title IV.) Your committee believes that these changes will facilitate the review of these programs by Congress and other interested organizations and individuals. Representatives of the Department of Health, Education, and Welfare assured the committee that there is a high degree of coordination between the various executive agencies providing health services to low-income children. It is hoped that this legislation will further this coordination as well as lead to more orderly program development.

The bill consolidates the existing authorities into a single authorization with broad flexible categories. H.R.12080 accordingly eliminates
all present earmarked programs beginning July 1, 1968, and replaces
them with one total dollar authorization. For the 4 fiscal years 1969
to 1972, 50 percent of the authorization will be for formula grants to
States; 40 percent will be for project grants; and 10 percent will be
for research and training. The Secretary would have limited author-
ity to adjust these percentages. The Secretary would also determine
the allocations within these percentages for different types of formula
grants, projects, etc.

Under existing law, project grant authority rests with the Secretary
of Health, Education, and Welfare. Your committee is concerned with
the tendency of such authorization to be continued, through legislative
extensions, indefinitely into the future and believes that the basic re-
sponsibility for health services for mothers and children rests with the
States. The bill, therefore, requires the States to assume responsibility
for the project grants beginning July 1972; as of that date, the Secre-
tary's project grant authority will lapse and the funds will be given
directly to the States.

The authorizations are shown in the following table:

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<th></th>
<th>Fiscal year</th>
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<tbody>
<tr>
<td>Total authorization</td>
<td>250</td>
</tr>
<tr>
<td>Grants to States (50 percent of total until July 1972; 90 percent thereafter)</td>
<td>125</td>
</tr>
<tr>
<td>Project grants (40 percent of total until July 1972 when authority expires)</td>
<td>100</td>
</tr>
<tr>
<td>Research and training (10 percent of total)</td>
<td>25</td>
</tr>
</tbody>
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1. Formula grants to States.—Present law provides separate State
grant programs for maternal and child health and crippled children's
services.

(a) Maternal and child health services.—Federal funds expended by
States in fiscal year 1966 for maternal child health services amounted
to approximately $42.9 million; expenditures from State and local
funds were approximately $87.3 million—more than twice as much.
States use Federal funds, together with State and local funds, to pay
the costs of conducting prenatal and postpartum clinics where mothers
may receive family planning services if they wish them; for visits by
public health nurses to homes before and after babies are born to help
mothers care for their babies; for well-child clinics where mothers
bring their babies and young children for examination and immu-
nizations, where they can get competent advice on how to prevent
illnesses and where their many questions about the care of babies can
be answered. Such measures have been instrumental in the reduction of
maternal and infant mortality, especially in rural areas. Funds are
used to make doctors, dentists, and nurses available to schools for
health examinations, and they are also used for immunizations. These
funds support 134 mental retardation clinics in 50 States where over
30,000 children received diagnostic treatment and counseling services
last year.
During fiscal year 1966 State maternal and child health programs provided the following clinic, hospital, and public health nursing services:

Prenatal and postpartum care in medical clinics for 282,000 maternity cases.
Hospital inpatient care (prenatal or delivery) for 61,000 maternity cases.
Public health nursing visits for 521,000 maternity cases.
Child health supervision (through well-child conferences) of 1,732,000 children, including 680,000 infants.

These programs also provided examinations, tests, and immunizations during that year as follows:

1,926,000 school health medical examinations.
8,847,000 school health vision screening tests.
5,425,000 school health hearing screening tests.
2,386,000 school health dental screening tests.
3,840,389 smallpox immunizations.
4,074,868 diphtheria immunizations.
2,430,417 pertussis immunizations.
4,925,412 tetanus immunizations.

(b) Crippled children's services.—About $116 million of which about $44 million or 38 percent was from Federal funds, was expended by States for crippled children's services during fiscal year 1966. State crippled children's agencies use their funds to locate children, to provide diagnostic services, and then to see that each child gets the medical care, hospitalization, and continuing care by a variety of professional people that he needs. Less than half of the children served have orthopedic handicaps; the rest include epilepsy, hearing impairment, cerebral palsy, cystic fibrosis, heart disease, and many congenital defects. A State crippled children's agency holds clinics periodically, some traveling from place to place; others are held in permanent locations. Any parent may take his child to a crippled children's clinic for diagnosis.

The number of children served under the crippled children's program has more than doubled since 1950. In fiscal year 1966, about 438,000 children received care under this program. About 325,000 children attended diagnostic clinics and nearly 80,000 children received hospitalization.

(c) Consolidated programs.—Your committee bill combines the maternal and child health program and crippled children's services into one program with the same State plan requirement of existing law except for the new requirements noted under the next two headings and for the State assumption of responsibility for project grants in 1972. Existing requirements on States such as extending the provision of maternal and child health and crippled children's services to make them available by 1975 to children in all parts of the State and requiring the States to pay the reasonable cost of inpatient hospital care are continued. The bill also defines a crippled child in order to assure that there will be no duplication of services provided under this program with those provided through community mental health programs.

(d) Early identification of health defects of children.—States will be required to make more vigorous efforts to screen and treat children
with disabling conditions. Though all States have crippled children's
services programs, there are substantial differences in the rate of chil­
dren served among the States, the highest being 17.7 per 1,000 popu­
lation under 21 years of age and the lowest being 1.6 per 1,000. Many
handicapped children or children with potentially crippling condi­
tions fail to receive needed care because their conditions may not be
included under the State's program. Other States have not carried on
aggressive programs of early identification of children in need of
treatment because of lack of funds to provide the necessary care and
treatment.

Your committee believes that the new plan requirement coupled with
increases in funds authorized will help States with early identification
of children in need of correction of defects. Organized and intensified
casefinding procedures will be carried out in well-baby clinics, day
care centers, nursery schools, Headstart centers in cooperation with
the Office of Economic Opportunity, by periodic screening of children
in schools, through followup visits by nurses to the homes of newborn
infants, by checking birth certificates for the reporting of congenital
malformation and by related activities. Title XIX (medical assist­
ance) would be modified to conform to this requirement under the
formula grant program.

(e) Family planning, dental care and other demonstration services
in needy areas.—Your committee believes that the States should put
more emphasis on their demonstration services in needy areas and
among groups in special need. Special attention is to be given to dental
care for children and family planning services for mothers.

2. Project grants.—There is authority in present law for two kinds
of special project grants, for maternity and infant care and for com­
prehensive health care for school-age and preschool children. Your
committee bill adds a program of pilot projects of dental services for
children. All of these projects are in areas with concentrations of low­
income families.

(a) Special projects for maternity and infant care.—Legislation
enacted in 1963 set up a 5-year program of project grants to pay up to
75 percent of the cost of comprehensive health care to mothers and
infants in low-income areas where health hazards are higher.

The maternity and infant care projects promote public understand­
ing of the importance of prenatal care in low-income neighborhoods,
employ casefinding methods (through local churches, high schools,
stores, laundromats, publicity, etc.) to find patients early in preg­
nancy; establish neighborhood clinics affiliated with hospitals, provide
prenatal care, nutrition, homemaker services, public health nursing,
and social services; and pay for hospital care for mothers and in­
fants in hospitals staffed to give the quality of services high risk pa­
tients need. It is these programs that have opened the door to family
planning services for thousands of low-income families for the first
time. Because the brief period of pregnancy is too short a time in
which to detect and correct all the factors adversely affecting the out­
come of pregnancy, continuing health supervision for mothers who
had complications of pregnancy is essential. This makes it possible to
improve the health of mothers for a subsequent pregnancy and to be­
gin prenatal care early. It is also essential to provide periodic medical
examinations for women who are receiving family planning services.
Programs are in operation in rural counties as well as in the largest cities. In the 9-month period from July 1966 to March 1967, more than 60,000 women were delivered under the program. In this same period, nearly 37,500 women requested and received family planning services. Patients are currently being admitted to the program at the rate of over 9,000 per month.

In 1966, the infant mortality rate was reduced by 5 percent as compared with 1965, reaching a new low of 23.4 per 1,000 live births. This was the largest reduction in any year since 1950. Significant reductions are taking place particularly in the Nation's large cities which were experiencing some of the highest rates in the country prior to the development of their maternity and infant care projects.

(b) Project grants for health of school and preschool children.—The 1965 Amendments to the Social Security Act established a 5-year program of project grants for comprehensive health services for children and youth.

In the geographic area served by the project, all the health problems of the children are to be taken care of by the program, either through direct services or by an appropriate referral to other sources which are prepared to provide at least equivalent services. Both medical and dental care must be included for children of school age; children with emotional as well as physical health problems are accepted. The projects attempt to meet the medical needs of a given child population in a specified area. The emphasis is on reaching out into the community for early casefinding and preventive health services among a population most acquainted only with care in emergencies.

These projects together with the projects for maternity and infant care are bringing organized community health services to the people in low-income areas where there are few physicians in private practice and are creating new patterns of delivering comprehensive care. Fifty-five projects have been approved.

(c) Project grants for the dental health of children.—By the time children enter school, 90 to 95 percent are in need of dental attention. The average child on entering school has three decayed teeth. According to the American Dental Association, obtaining dental care for children is related to family income, the educational level of the parents, the effectiveness of dental health education and the extent to which a community has organized a dental care program for its children.

Comprehensive services may include casefinding, screening and referral, preventive services and procedures, diagnosis, health education, remedial care and continuity of service through recall and followup. Projects would have to include preventive services, treatment, and aftercare to the extent required in regulations of the Secretary.

Any meaningful effort to solve the dental health problem must concentrate a major share of attention, and of resources, on the dental health of children. For these diseases, which begin in childhood, can also be most successfully and economically treated and prevented in these formative years. It is obvious, also, that the child who receives adequate dental health protection will have a better chance of maintaining high standards of health throughout his adult years.
(d) Project grants in the committee bill.—Your committee believes that ultimately the basic responsibility for providing health services to mothers and children must rest with the States. The committee also recognizes, however, the important purposes served by project grants in providing services in low income areas with special needs. The bill therefore continues to authorize the project grant approach until July 1972; after that date, the funds will be granted to the States, who will be required to assume this responsibility.

The bill increases the authorization for maternity and infant care projects from $30 to $35 million in fiscal year 1968; that is the only change made for this fiscal year.

Beginning with fiscal year 1969, however, and continuing for the following 3 years, all project grant authority will be consolidated into one authorization. The new authorization will include projects for comprehensive maternity and infant care, comprehensive health care for school-age and pre-school children, and dental care for children.

Maternity and infant care: Progress in reducing infant mortality depends on our ability to provide services where the risks to mothers and infants are greatest. Maternity and infant care projects are now in operation in 27 of the 56 counties whose high infant mortality rates have contributed most heavily to keeping the national rate from decreasing. This past year saw a significant reduction in the national infant mortality rate. Programs of maternity and infant care and family planning (entirely voluntary with the patient) must be developed, continued, and expanded especially in these counties if the reduction in infant mortality is to be accelerated. Your committee's bill expands the present authority (1) by explicitly stating that one purpose of the projects is to reduce infant and maternal mortality and thus making clear that the full range of care may be made available to mothers and children from groups where such mortality is highest; (2) by making possible grants for the support of hospital intensive care units for high risk newborn infants as well as other infant projects; and (3) by authorizing grants to local voluntary and public agencies for family planning clinics.

Health care for school-age and pre-school children: Your committee's bill provides for the continuation of these kinds of project grants until July 1972, when the States will be required to make provision for them.

Dental health of children: Within the overall project grant authorization, your committee has included an additional authority for supporting up to 75 percent of the cost of projects to provide comprehensive dental health services for children. Payments for treatment would be limited to children from low-income families.

Because of the magnitude of the problem of providing dental care to children of low-income families, your committee will expect that the projects will not only provide dental care, but will also study various methods of organizing community dental health programs, including ways of increasing the efficiency of dentists through the use of assistants and auxiliary personnel.

3. Research and training.—Present law authorizes (1) research grants to support studies which show promise of improving health
services for mothers and children, and (2) grants for the training of professional personnel for health and related care of crippled children, particularly mentally retarded children and those with multiple handicaps.

The expansion of health services to mothers and children provided for in this bill will require a continuing supply of trained personnel and further research in the delivery of health services.

Your committee's bill will permit a modest expansion of the appropriation authorization as the total child health authorization rises. At the same time, your committee has broadened the scope of both the research and training authorities.

(a) Research.—Research projects support up to now have concentrated on such problems as mental retardation, development of prosthetics for children, infant mortality studies, utilization of pediatric outpatient departments, and prenatal care.

Your committee has modified the authority in present law to accord special emphasis in the future on projects to study new and more efficient ways of delivering health services. Present and anticipated manpower requirements in obstetrics and pediatrics are so great that we will soon face a crisis in maternal and child health care unless we can find ways of increasing the supply and expanding the efficiency of professional personnel. Your committee has directed that research projects supported will test the feasibility, cost, and effectiveness of the use of personnel with varying levels of training, of the use of medical assistants and health aides, and will experiment with methods of training such personnel.

(b) Training.—In line with the personnel needs of the programs expanded in other sections of the bill, your committee has broadened the training authority to include all personnel involved in providing health care and related services to mothers and children. This expanded authority will, of course, include the new types of personnel developed under the research program. To reinforce this point, your committee has directed that priority shall be given to training at the undergraduate level.
IV. SECTION-BY-SECTION ANALYSIS OF THE BILL

TITLE I—OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

PART 1—BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

SECTION 101. INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Section 101 of the bill provides a benefit increase of 12 1/2 percent, with new minimum and maximum benefit amounts.

Primary insurance amount; column IV of the revised benefit table

Section 101(a) of the bill amends section 215(a) of the Social Security Act to substitute a new table for the present benefit table. The new table effectuates the benefit increase for people who are on the benefit rolls prior to the second month following the month of enactment of the bill and provides benefit amounts higher than those under present law for people who come on the benefit rolls in or after that month. The new primary insurance amounts, shown in column IV of the table, represent an increase of 12 1/2 percent over the primary insurance amounts provided in present law for average monthly earnings up to $550—the highest average monthly earnings possible under present law. (The primary insurance amount is the benefit payable to a worker who retires at or after age 65 or to a disabled worker who had not previously been entitled to a reduced old-age benefit; it is also the amount on which all other benefits are based.)

An approximation of the benefits shown in the new benefit table can be arrived at by taking 70.84 percent of the first $110 of average monthly earnings, plus 25.76 percent of the next $290, plus 24.08 percent of the next $150, plus 28.80 percent of the next $83. Benefits in the table in present law approximate 62.97 percent of the first $110 of average monthly earnings, plus 22.9 percent of the next $290, plus 21.4 percent of the next $150.

The primary insurance amounts provided by the new table range from a minimum of $50 for people whose average monthly earnings are $67 or less to a maximum of $212 for people who have average monthly earnings of $633. Average monthly earnings as high as $633 will become possible in the future under the $7,600 contribution and benefit base which the bill (in sec. 108) provides. The primary insurance amounts of workers getting benefits under present law (i.e., workers who will not have the advantage of the increased contribution and benefit base) are raised from $44 to $50 at the minimum and from $168 to $189 at the maximum.

The total monthly amount of benefits payable to a family on the basis of a single earnings record, shown in column V of the table,
is \( \frac{11}{2} \) times the worker's primary insurance amount up to the last point (average monthly earnings of \$178\) at which \( \frac{11}{2} \) times the worker's primary insurance amount is greater than 80 percent of the worker's average monthly earnings. Above that point, the maximum family benefit is equal to the sum of 80 percent of the worker's average monthly earnings up to \$426\) (roughly two-thirds of the maximum possible average monthly earnings—\$633—under a \$7,600 contribution and benefit base) plus 40 percent of the worker's average monthly earnings above \$426. This formula produces, at the maximum possible average monthly earnings of \$633\), a maximum family benefit of about two-thirds of the average monthly earnings. Under the bill, the maximum amount of monthly benefits payable to a family will range from \$75\) to \$423.60.

**Maximum family benefits for people already on the rolls**

Section 101(b) of the bill amends section 203(a)(2) of the act to assure an increase in family benefits for families with two or more members who are entitled to benefits for the second month following the month of enactment of the bill as a result of applications filed in or before that second month. Under the bill, the total of benefits payable to such families may not be reduced to less than the larger of (1) the family maximum specified in column V of the new table or (2) the sum of all family members' benefits computed under present law, increased by \( \frac{121}{2} \) percent, and rounded to the next higher 10 cents if not already a multiple of 10 cents. Without such a provision, some families now on the benefit rolls could receive little or no increase in benefits.

Section 101(b) of the bill also contains a provision affecting the amount of benefits for family members getting benefits in the effective month of the benefit increase on the basis of two or more earnings records. Under present law, where children are entitled to benefits on the earnings records of more than one worker, the total benefits payable to the family are not reduced to less than the smaller of the sum of the maximum family benefits payable on all the earnings records on which the family members could be entitled or the highest family maximum benefit shown in column V of the benefit table. Under the bill, in cases where the combined-family-maximum provisions (sec. 203(k)(2)(A) of present law) are applicable, these provisions are applied before the provisions of section 203(a) which guarantee every beneficiary a \( \frac{121}{2} \)-percent increase—that is, the provisions of the bill which guarantee a \( \frac{121}{2} \)-percent increase to each member of the family (described above) are to be applied last. Where the combined-family-maximum provisions are applicable in the effective month of the benefit increase, and later cease to apply because the benefits for the last family member entitled on more than one earnings record are terminated, the benefit amounts for the remaining family members, who are entitled on a single earnings record, will be determined under section 203(a)(2), as amended by the bill, as if they had been getting benefits based on only one earnings record in the effective month of the benefit increase.

**Average monthly earnings; column III of the revised benefit table**

Section 101(c)(1) of the bill amends section 215(b)(4) of the act so that column III of the new benefit table will be applicable only in
the case of an average monthly earnings computation for a person (1) who becomes entitled to old-age or disability insurance benefits in or after the second month following the month of enactment of the bill; or (2) who dies in or after that second month without having been entitled to old-age or disability insurance benefits; or (3) whose benefit is recomputed for months beginning with or after that second month.

Section 101(c)(2) of the bill repeals section 215(b)(5) of the act (which preserves the method in effect before enactment of the 1965 amendments of computing average monthly earnings for people who became entitled to benefits or a recomputation of benefits before 1966) since it is now obsolete.

Primary insurance amount under 1965 act; column II of the revised benefit table

Section 101(d) of the bill amends section 215(c) of the act to provide that a person who becomes entitled to old-age or disability insurance benefits before the second month following the month of enactment of the bill, or who dies before that month, will have his primary insurance amount determined under the provisions of present law for purposes of column II of the revised table. Since benefit amounts appearing in column II of the revised table will be converted to the new benefit amounts in column IV of that table, the effect of this provision is that people already on the rolls will have their benefits converted to the higher primary insurance amount appearing on the same line in column IV of the new table. Under present law, column II of the benefit table shows the primary insurance amounts in effect prior to the Social Security Amendments of 1965 and column IV of the table shows the amounts to which the primary insurance amounts in column II were converted as a result of those amendments.

Effective date

Section 101(e) of the bill provides that the benefit increases under section 101 will be effective for monthly benefits for and after the second month following the month of enactment of the bill and for lump-sum death payments where death occurs in or after that second month.

Special provision for conversion of a disability insurance benefit to an old-age insurance benefit

Section 101(f) of the bill is a special transitional provision which applies to a person who is entitled to a disability insurance benefit for the first month following the month of enactment of the bill and who becomes entitled to old-age insurance benefits (for example, by reason of attainment of age 65) or dies in the second month following the month of enactment of the bill, to make certain that his primary insurance amount is increased. The general rule, provided in section 215(a)(4) of present law, that would otherwise apply in this situation is that an individual who was entitled to a disability insurance benefit for the month before the month for which he becomes entitled to an old-age insurance benefit will have as his primary insurance amount the amount in column IV of the table that is equal to the
primary insurance amount on which his disability insurance benefit is based. In the above situation, the individual's disability insurance benefit, since it was derived from a primary insurance amount determined under present law, does not have any direct connection with column IV of the table included in the bill, which contains the new benefit amounts; thus, the general rule cannot be applied to him. Therefore, this section of the bill provides that his primary insurance amount will be the amount in column IV of the table on the same line as that on which, in column II, appears his present primary insurance amount. (This primary insurance amount in column II is equal to the primary insurance amount on which his disability insurance benefit under present law is based.)

SECTION 102. INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

Section 102 of the bill increases the amount of the special payments made to certain people age 72 and older who have never worked in covered jobs or who have had less covered work than is needed to qualify for the regular retirement benefits of the program.

Increase in special payments to transitionally insured people

Section 102(a) of the bill amends section 227 of the Social Security Act to increase from $35 to $40 the monthly amount payable to workers and widows who qualify for special payments under section 227 on the basis of 3, 4, or 5 quarters of coverage. (To qualify for regular retirement benefits a worker has to have a minimum of 6 quarters of coverage.) It also raises from $17.50 to $20 the amount payable to the wives of men who qualify for benefits under that section.

Increase in special payments to certain uninsured people

Section 102(b) of the bill amends section 228 of the act to increase from $35 to $40 the monthly amount payable to people who qualify under section 228 on the basis of no quarters of coverage, or of some quarters of coverage but not enough to qualify for either regular retirement benefits or payments to transitionally insured people, and to increase from $17.50 to $20 the monthly amount payable to a wife when both husband and wife are entitled to benefits under that section.

Effective date

Section 102(c) of the bill provides that these increases in the amounts of the special payments will be effective with respect to monthly payments for and after the second month following the month of enactment.

SECTION 103. MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT

Section 103(a) of the bill amends section 202(b) (2) of the Social Security Act to provide that a wife's insurance benefit (payable to a wife or an aged divorced wife), which is otherwise 50 percent of the worker's primary insurance amount, may not exceed $105.

Section 103(b) of the bill amends section 202(c) (3) of the act to provide that a husband's insurance benefit, which is otherwise 50 percent of the wife's primary insurance amount, may not exceed $105.
Section 103(c) of the bill amends section 202(e)(4) of the act to provide that a remarried widow's benefit (payable to a widow who marries an individual other than another beneficiary after she attains age 60), which is otherwise 50 percent of the deceased worker's primary insurance amount, may not exceed $105.

Section 103(d) of the bill amends section 202(f)(5) of the act to provide that a remarried widower's benefit (payable to a widower who marries an individual other than another beneficiary after he attains age 62), which is otherwise 50 percent of the deceased wife's primary insurance amount, may not exceed $105.

Section 103(e) of the bill makes these amendments effective for monthly benefits beginning with the second month following the month of enactment of the bill (although, of course, wife's or husband's benefits as high as $105 will not be possible immediately).

SECTION 104. BENEFITS TO DISABLED WIDOWS AND WIDowers

Section 104 of the bill provides that a disabled widow or widower may become entitled to reduced widow's or widower's benefits after attainment of age 50. Present law does not provide social security benefits for widows and widowers on the basis of disability; they can receive benefits beginning at age 62 (or at age 60 in the case of a widow who chooses to receive a reduced benefit).

Widow's insurance benefits

Section 104(a)(1) of the bill amends section 202(e)(1)(B) of the Social Security Act (relating to payment of widow's insurance benefits) to provide that a widow or surviving divorced wife who has attained age 60 (but is not yet age 60) may become entitled to widow's insurance benefits if she is disabled under the special test of disability set forth in section 223(d) of the act (as amended by sec. 156 of the bill) and her disability began within the period specified in the new section 202(e)(5) (discussed below).

Section 104(a)(2) of the bill amends section 202(e)(1) of the act to permit entitlement to widow's benefits on account of disability to begin with the month following the waiting period prescribed by the new section 202(e)(6) (discussed below), or with the first month of disability if the widow becomes reentitled on account of subsequent disability within a specified period after termination of a previous entitlement to disabled widow's benefits. The amendment also provides that widow's benefits based on disability will end with the third month following the month in which the disability ceases (unless the widow attains age 62 before such third month, in which case benefits can continue on the basis of age).

Section 104(a)(3) of the bill amends section 202(e) of the act by adding new paragraphs (5) and (6). The new paragraph (5) provides that for purposes of widow's benefits based on disability a widow must have become disabled before her husband's death, before the end of her entitlement to mother's benefits, or within 7 years after either event, or within 7 years after a previous entitlement to disabled widow's benefits has terminated because her disability ceased. The new paragraph (6) provides that the waiting period before disabled widow's
benefits can begin is a period of 6 consecutive calendar months throughout which the widow is under a disability; months of disability before the husband's death or before termination of entitlement to mother's benefits can be counted in this waiting period.

Widower's insurance benefits

Section 104(b)(1) of the bill amends section 202(f)(1)(B) of the act (relating to payment of widower's insurance benefits) to provide that a dependent widower who has attained age 50 (but is not yet age 62) may become entitled to widower's insurance benefits if he is disabled under the special test in section 223(d) of the act and his disability began within the specified period.

Section 104(b)(2) of the bill amends section 202(f)(1) of the act to permit entitlement to widower's benefits on account of disability to begin with the month following the prescribed waiting period, or with the first month of disability if the widower becomes reentitled on account of subsequent disability within a specified period after termination of a previous entitlement to disabled widower's benefits. The amendment also provides that widower's benefits based on disability will end with the third month following the month in which the disability ceases (unless the widower attains age 62 before such third month, in which case the benefits can continue on the basis of age).

Section 104(b)(3) of the bill amends section 202(f)(3) of the act to reflect the actuarial reduction of disabled widower's benefits provided for in section 104(c) of the bill (discussed below).

Section 104(b)(4) of the bill amends section 202(f) of the act by adding new paragraphs (6) and (7). The new paragraph (6) provides that for purposes of widower's benefits based on disability a widower must have become disabled before, or within 7 years after, his wife's death, or within 7 years after a previous entitlement to disabled widower's benefits has terminated because his disability ceased. The new paragraph (7) provides that the waiting period before disabled widower's benefits can begin is a period of 6 consecutive months throughout which the widower is under a disability; months of disability before the wife's death can be counted in this waiting period.

Actuarial reduction in benefits

Section 104(c) of the bill amends section 202(q) of the act to provide for an actuarial reduction (or, in the case of widow's benefits, an additional actuarial reduction) in the amount of any widow's or widower's insurance benefits payable on the basis of disability to an individual becoming entitled thereto before reaching the point at which benefits could otherwise be available on the basis of age.

Under present law, section 202(q) of the act provides for a reduction in widow's benefits of five-ninths of 1 percent for each month such benefits are payable in the period prior to age 62. The amendments made by section 104(c) of the bill provide a similar reduction in widower's benefits based on disability for the months such benefits are payable during this period (the "reduction period," which is computed from the first month of entitlement to benefits or from age 60, whichever is later), and in addition provide for a further reduction in both widow's and widower's benefits based on disability of 45/198 of 1 percent for each month such benefits are payable in the period prior to
age 60 (the "additional reduction period," which is computed from the first month of entitlement or age 50, whichever is later). The number of months in the "reduction period" multiplied by five-ninths of 1 percent is added to the number of months in the "additional reduction period" multiplied by 43/198 of 1 percent in computing the reduction in the benefits payable to the disabled widow or widower. Under these amendments, if a widow or widower qualifies for benefits on the basis of disability at the earliest possible time (age 50), such benefits will be equal to 50 percent of the primary insurance amount of the deceased wage earner.

The amendments made by section 104(c) of the bill also make applicable to disabled widow and widower beneficiaries the provisions of present law (applicable to widow beneficiaries entitled before age 62) which adjust benefit amounts to take into account any months before age 62 for which no benefits were actually received.

Related amendments

Section 104(d) (1) (A) of the bill amends section 203(c) of the act to provide that no deduction on account of noncovered work outside the United States will be made before age 62 in the case of a widower's benefit, or before age 62 in the case of a widow's benefit (except with respect to months after age 60 unless she became entitled to widow's insurance benefits before attaining age 60 on the basis of disability and has continued to be so entitled).

Section 104(d) (1) (B), (C), and (D) of the bill amend section 203(f) of the act to provide that the retirement test will not apply in the case of a widower under age 62, or in the case of a widow under such age (except with respect to months after age 60 unless she became entitled to widow's insurance benefits before attaining age 60 on the basis of disability and has continued to be so entitled).

Section 104(d) (2) of the bill amends section 216(i) (1) of the act to exclude disabled widow and widower beneficiaries from the definition provided for a period of disability for disabled worker beneficiaries (the "disability freeze").

Section 104(d) (3) of the bill amends subsections (a) and (b) of section 222 of the act to extend to disabled widows and widowers the policy that disability claimants be referred for vocational rehabilitation services and the requirement that benefits based on disability be withheld for months in which the disabled beneficiary refuses without good cause to accept rehabilitation services.

Section 104(d) (4) of the bill amends section 222(d) (1) of the act to extend to disabled widows and widowers the provisions now applicable for other disability beneficiaries authorizing payment from the Trust Funds for the cost of vocational rehabilitation services.

Section 104(d) (5) of the bill amends section 225 of the act to extend to disabled widows and widowers the provision for suspension of benefits during investigation of eligibility.

Effective date

Section 104(e) of the bill provides that these amendments relating to benefits for disabled widows and widowers will be effective with respect to benefits for and after the second month following the month of enactment on the basis of applications filed in or after the month of enactment.
SECTION 105. INSURED STATUS FOR YOUNGER DISABLED WORKERS

Section 105 of the bill provides an alternative disability insured-status requirement for workers who become disabled from causes other than blindness before age 31. Present law provides such an alternative requirement for those who are blind, but others must satisfy the basic requirement of at least 20 quarters of coverage in the 40 calendar quarters ending with the quarter of disablement. This section provides that any worker disabled before age 31, regardless of the cause of his disability, will be insured for social security disability protection if he meets the alternative insured-status requirement provided in present law for workers disabled by blindness before age 31—i.e., at least half (and not less than six) of the quarters elapsing after attainment of age 21 and up to and including the quarter of disablement are quarters of coverage, or if disability occurs before attainment of age 24, at least six of the twelve quarters ending with the quarter of disablement are quarters of coverage.

Section 105(a) of the bill amends subparagraph (B)(ii) of section 216(i)(3) of the act to remove for purposes of a period of disability (the “disability freeze”) the limitation which restricts the alternative insured-status requirement to those whose disability is based on blindness.

Section 105(b) of the bill amends subparagraph (B)(ii) of section 223(c) of the act to remove for purposes of disability insurance benefits the limitation which restricts the alternative insured-status requirement to those whose disability is based on blindness.

Section 105(c) provides that the amendments made by section 105(a) will apply with respect to applications for a period of disability that are filed in or after the month of enactment, and that the amendments made by section 105(b) will apply with respect to monthly benefits for and after the second month following the month of enactment on the basis of applications filed in or after the month of enactment.

SECTION 106. BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

Section 106 of the bill adds at the end of title II of the Social Security Act a new section 229 to provide noncontributory wage credits for service in the uniformed services of the United States after 1967, in addition to social security credits earned through coverage, under present law, of basic service pay.

The new section 229(a) provides that a serviceman will receive noncontributory wage credits, for purposes of determining entitlement to and the amount of social security benefits payable on the basis of his wages and self-employment income, for every calendar quarter occurring after 1967 in which he is paid wages for service in the uniformed services which is covered under social security on a contributory basis—i.e., for service in the uniformed services within the meaning of section 210(1). The credits will ordinarily be $300 for each calendar quarter in which the serviceman receives such covered wages, but (to take account of calendar quarters in which the serviceman receives pay for only a short period of service) will be $100 for any calendar quarter in which his service pay is $100 or less, and $200 for any
calendar quarter in which his service pay is more than $100 but not more than $200.

The new section 229(b) provides an authorization for an annual appropriation to reimburse the social security trust funds from the general funds of the Treasury for the additional costs that would result from the new section 229(a). In addition to the cost of additional benefits, there is to be reimbursement for the additional administrative expenses and the loss of interest to the trust funds resulting from the noncontributory wage credits. Additional benefit costs resulting from the new section 229(a) are defined as the cost of the additional benefits which result from the noncontributory wage credits over and above the benefits that would have been payable based on all other credits, including noncontributory military service credits provided for in section 217 of the act.

SECTION 107. LIBERALIZATION OF EARNINGS TEST

Annual and monthly measures of retirement

Section 107(a)(1) of the bill amends paragraphs (1), (3), and (4)(B) of section 203(f) of the Social Security Act to increase the amount of earnings a beneficiary may have and still get benefits.

Paragraph (1) of section 203(f) as amended provides that, for purposes of the earnings test (the provision in the law under which some or all benefits are withheld when a beneficiary under age 72 has specified amounts of earnings), any earnings of a beneficiary in excess of the amount he may have and still get full benefits for the year (the annual exempt amount) will not be charged to any month in which he did not engage in self-employment or render services for wages of more than $140, instead of $125 as in present law. The effect of this change is that benefits may not be withheld for any month in which the beneficiary (or the person on whose wage record his benefits are payable) did not have wages of more than $140 (or engage in self-employment).

Paragraph (3) of section 203(f) as amended provides that a person's "excess earnings" for any taxable year will be his earnings in excess of $140 (rather than $125) times the number of months in the taxable year. The effect of this provision is that if a beneficiary's earnings (or the earnings of the person on whose wage record his benefits are payable) amount to no more than $140 times the number of months in the taxable year, he will get all monthly benefits for that year. Since in the great majority of cases a taxable year consists of 12 months, the new annual exempt amount will be $1,680, rather than $1,500 as in present law.

Paragraph (4)(B) of section 203(f) as amended provides that in determining whether a beneficiary earned more than $140 (rather than $125 as in present law) in a month for purposes of applying the monthly exemption under section 203(f)(1) of the act, he will be presumed to have earned more than that amount until it is shown to the satisfaction of the Secretary of Health, Education, and Welfare that he did not do so.

Requirement for reporting annual earnings

Section 107(a)(2) of the bill amends paragraph (1)(A) of section 203(h) of the act to require a beneficiary to report his earnings to the
Secretary whenever his annual earnings exceed $140 (rather than $125 as in present law) times the number of months in his taxable year.

Effective date
Section 107(b) of the bill provides that these amendments will be effective for taxable years ending after December 1967.

SECTION 108. INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

Section 108 of the bill raises the amount of annual earnings that is subject to social security contributions and counted toward social security benefits (the contribution and benefit base) from $6,600 to $7,600 beginning with 1968.

Amendments to Title II of the Social Security Act

Definition of wages
Section 108(a)(1) of the bill amends section 209(a) of the Social Security Act (defining "wages" for benefit purposes) to make the $7,600 contribution and benefit base applicable to wages paid after 1967.

Definition of self-employment income
Section 108(a)(2) of the bill amends section 211(b)(1) of the act (defining "self-employment income" for benefit purposes) to make the $7,600 contribution and benefit base applicable for taxable years ending after 1967.

Quarter of coverage
Section 108(a)(3) of the bill amends clauses (ii) and (iii) of section 213(a)(2) of the act (defining "quarter of coverage") to provide that an individual will be credited with a quarter of coverage for each quarter of a calendar year after 1967 if his wages for such year equal $7,600 (rather than $6,600 as in present law). An individual will also be credited with a quarter of coverage for each quarter any part of which falls within a taxable year ending after 1967 in which the sum of his wages and self-employment income equal $7,600 (rather than $6,600).

Average monthly wage
Section 108(a)(4) of the bill amends section 215(e)(1) of the act (relating to the amount of annual earnings that can be counted in computing a person's average monthly wage) to increase from the present $6,600 to $7,600, effective for calendar years after 1967, the maximum amount of annual earnings that may be counted in the computation of an individual's monthly wage for purposes of determining benefit amounts.

Amendments to the Internal Revenue Code of 1954

Definition of self-employment income
Section 108(b)(1) of the bill amends section 1402(b)(1) of the Internal Revenue Code of 1954 (defining "self-employment income" for social security tax purposes) by increasing the upper limit on an-
nual self-employment income subject to social security contributions from $6,600 to $7,600 for taxable years ending after 1967.

Definition of wages

Section 108(b)(2) of the bill amends section 3121(a)(1) of the code (defining “wages” for social security tax purposes) by increasing the upper limit on annual wages subject to social security contributions from $6,600 to $7,600 (this provision is made effective for calendar years after 1967 by section 108(c) of the bill).

Federal service

Section 108(b)(3) of the bill amends section 3122 of the code (relating to Federal service) to conform its provisions to the increase in the contribution and benefits base from $6,600 to $7,600.

Returns in the case of certain governmental employees

Section 108(b)(4) of the bill amends section 3125 of the code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) to conform its provisions to the increase in the contribution and benefit base from $6,600 to $7,600.

Special refunds of employee contributions

Sections 108(b)(5) and 108(b)(6) of the bill amend section 6413(c) of the code (relating to special refunds of social security contributions paid by an employee who in any calendar year had more than one employer and had total wages in excess of $6,600) to conform the special refund provisions to the $7,600 contribution and benefit base for calendar years after 1967.

Effective Dates

Section 108(c) provides effective dates for the changes made by the section. The amendments (relating to wages) made by sections 108(a)(1), 108(a)(3)(A), and 108(b)(except par. (1)) are applicable with respect to remuneration paid after December 1967; the amendments (relating to self-employment income) made by sections 108(a)(2), 108(a)(3)(B), and 108(b)(1) are applicable with respect to taxable years ending after 1967; and the amendment made by section 108(a)(4) (relating to average monthly wage) is applicable with respect to calendar years after 1967.

SECTION 109. CHANGES IN TAX SCHEDULES

Section 109 of the bill provides new schedules of social security tax rates, both for old-age, survivors, and disability insurance and for hospital insurance.

Old-age, survivors, and disability insurance rates

Section 109(a) of the bill amends sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 to provide new schedules of old-age, survivors, and disability insurance tax rates for the self-employed, employees, and employers.

Subsection (a) of the amended section 1401 provides a new schedule of tax rates on self-employment income for purposes of old-age,
survivors, and disability insurance. Under present law, these tax rates are as follows:

<table>
<thead>
<tr>
<th>Taxable years beginning after-</th>
<th>Tax rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966 (and before 1969)</td>
<td>5.9</td>
</tr>
<tr>
<td>1968 (and before 1973)</td>
<td>6.6</td>
</tr>
<tr>
<td>1972</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Under the bill, the tax rates on self-employment income for old-age, survivors, and disability insurance are as follows:

<table>
<thead>
<tr>
<th>Taxable years beginning after-</th>
<th>Tax rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966 (and before 1969)</td>
<td>5.9</td>
</tr>
<tr>
<td>1968 (and before 1971)</td>
<td>6.3</td>
</tr>
<tr>
<td>1970 (and before 1973)</td>
<td>6.9</td>
</tr>
<tr>
<td>1972</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Subsection (a) of the amended section 3101 and subsection (a) of the amended section 3111 provide new schedules of tax rates on wages for purposes of old-age, survivors, and disability insurance. Under present law, these tax rates for employees and employers are as follows:

<table>
<thead>
<tr>
<th>Tax rate, employer and employee, each (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar years:</td>
</tr>
<tr>
<td>1967 to 1968, inclusive</td>
</tr>
<tr>
<td>1969 to 1972, inclusive</td>
</tr>
<tr>
<td>1973 and after</td>
</tr>
</tbody>
</table>

Under the bill, the tax rates on wages for both employees and employers for old-age, survivors, and disability insurance are as follows:

<table>
<thead>
<tr>
<th>Tax rate, employer and employee, each (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar years:</td>
</tr>
<tr>
<td>1967 to 1968, inclusive</td>
</tr>
<tr>
<td>1969 to 1972, inclusive</td>
</tr>
<tr>
<td>1973 and after</td>
</tr>
</tbody>
</table>

Hospital insurance rates:

Section 109(b) of the bill amends sections 1401(b), 3101(b), and 3111(b) of the code to provide new schedules of hospital insurance tax rates for the self-employed, employees, and employers.

Subsection (b) of the amended section 1401 provides a new schedule of tax rates on self-employment income for purposes of hospital insurance. Under present law, these tax rates are as follows:

<table>
<thead>
<tr>
<th>Taxable years beginning after-</th>
<th>Tax rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966 (and before 1973)</td>
<td>0.50</td>
</tr>
<tr>
<td>1975 (and before 1980)</td>
<td>0.60</td>
</tr>
<tr>
<td>1979 (and before 1987)</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Under the bill, the tax rates on self-employment income for hospital insurance are as follows:

<table>
<thead>
<tr>
<th>Taxable years beginning after-</th>
<th>Tax rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966 (and before 1960)</td>
<td>0.50</td>
</tr>
<tr>
<td>1968 (and before 1969)</td>
<td>0.60</td>
</tr>
<tr>
<td>1972 (and before 1970)</td>
<td>0.70</td>
</tr>
<tr>
<td>1975 (and before 1980)</td>
<td>0.80</td>
</tr>
<tr>
<td>1979 (and before 1987)</td>
<td>0.90</td>
</tr>
</tbody>
</table>
Subsection (b) of the amended section 3101 and subsection (b) of the amended section 3111 provide new schedules of tax rates on wages for purposes of hospital insurance. Under present law, these tax rates are as follows:

<table>
<thead>
<tr>
<th>Calendar years:</th>
<th>Tax rate, employer and employee, each (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967 to 1972, inclusive</td>
<td>0.50</td>
</tr>
<tr>
<td>1973 to 1975, inclusive</td>
<td>0.55</td>
</tr>
<tr>
<td>1976 to 1979, inclusive</td>
<td>0.60</td>
</tr>
<tr>
<td>1980 to 1986, inclusive</td>
<td>0.70</td>
</tr>
<tr>
<td>1987 and after</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Under the bill, the tax rates on wages for both employees and employers for hospital insurance are as follows:

<table>
<thead>
<tr>
<th>Calendar years:</th>
<th>Tax rate, employer and employee, each (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967 to 1968, inclusive</td>
<td>0.50</td>
</tr>
<tr>
<td>1969 to 1972, inclusive</td>
<td>0.60</td>
</tr>
<tr>
<td>1973 to 1975, inclusive</td>
<td>0.65</td>
</tr>
<tr>
<td>1976 to 1979, inclusive</td>
<td>0.70</td>
</tr>
<tr>
<td>1980 to 1986, inclusive</td>
<td>0.80</td>
</tr>
<tr>
<td>1987 and after</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Effective dates

Section 109(c) of the bill provides that the amendments made by sections 109(a)(1) and 109(b)(1) are to apply with respect to taxable years which begin after December 31, 1967, and that the remaining amendments made by section 109 are to apply with respect to remuneration paid after December 31, 1967.

SECTION 110. ALLOCATION TO DISABILITY INSURANCE TRUST FUND

Section 110(a) of the bill amends section 201(b)(1) of the Social Security Act to increase the percentage of taxable wages allocated to the Disability Insurance Trust Fund (now 0.70 of 1 percent) to 0.95 of 1 percent, effective with respect to wages paid after 1967.

Section 110(b) of the bill amends section 201(b)(2) of the act to increase the percentage of taxable self-employment income allocated to the Disability Insurance Trust Fund (now 0.525 of 1 percent) to 0.7125 of 1 percent, effective with respect to taxable years beginning after 1967.

PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

SECTION 115. COVERAGE OF MINISTERS

Section 115 of the bill provides social security coverage for the services performed by ministers, members of religious orders, and Christian Science practitioners in the exercise of their professions unless they elect, as provided in the bill, to have their services exempt from the social security self-employment tax. (Under present law the reverse is true; such services are exempt from the tax unless coverage is elected.)
Amendments to title II of the Social Security Act

Under existing law, services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry, or by a member of a religious order in the exercise of duties required by such order, are excepted from the term “employment” under section 210(a)(8)(A) of the Social Security Act, and from the term “trade or business” under section 211(c)(4) of the act, and thus from social security coverage. The services performed by a Christian Science practitioner in the exercise of his profession are also excepted from the term “trade or business” under section 211(c)(5) of the act and thus excluded from coverage. However, such a clergyman, member (other than a member who has taken a vow of poverty as a member of his order), or practitioner may file a certificate electing to be covered with respect to his services in such professions under the provisions applicable to the self-employed, in the manner prescribed in section 1402(a) of the Internal Revenue Code of 1954.

Section 115(a) of the bill amends the last sentence of section 211(c) of the act to provide that the coverage exceptions in section 211(c)(4) and (5) will not apply to the services performed in such professions by a minister, member (including a member who has taken a vow of poverty), or practitioner unless an exemption from the social security self-employment tax is effective with respect to him as provided for under section 1402(e) of the code, as amended by section 115(b)(2) of the bill.

Amendments to the Internal Revenue Code of 1954

Under existing law, services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry, or by a member of a religious order in the exercise of duties required by such order, are excepted from the term “employment” under section 3121(b)(8)(A) of the Internal Revenue Code of 1954, and from the term “trade or business” under section 1402(c)(4) of the code, and thus from social security taxes. The services performed by a Christian Science practitioner in the exercise of his profession are also excepted from the term “trade or business” under section 1402(c)(5) of the code and thus excluded from the social security self-employment tax. However, such a clergyman, member (other than a member who has taken a vow of poverty as a member of his order), or practitioner may file a certificate electing to be covered with respect to his services in such professions under the provisions applicable to the self-employed, in the manner prescribed in section 1402(e) of the code.

Section 115(b)(1) of the bill amends the last sentence of section 1402(c) of the code to provide that the exceptions from the term “trade or business,” and thus from the social security self-employment tax, in section 1402(c)(4) and (5) of the code, will not apply to the services performed in such professions by a minister, member (including a member who has taken a vow of poverty), or practitioner unless an exemption from the social security self-employment tax is effective with respect to him as provided for under section 1402(e) of the code, as amended by section 115(b)(2) of the bill.
Section 115(b) (2) of the bill substitutes for the present section 1402(e) of the code (permitting clergymen, members of religious orders who have not taken a vow of poverty, and Christian Science practitioners to secure social security coverage by filing a waiver certificate with the Internal Revenue Service) a new section 1402(e) which permits clergymen, members of religious orders (including those who have taken a vow of poverty), and Christian Science practitioners to secure an exemption from the social security self-employment tax upon meeting the requirements of the new section 1402(e).

The new section 1402(e) (1) provides that a clergyman, member, or practitioner, to secure the exemption, must file an application with the Internal Revenue Service, together with a statement that he is conscientiously opposed to the acceptance (based on his services as a minister, member, or practitioner) of 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. An exemption under the new section 1402(e) will apply only to services performed as a minister, member, or practitioner. An exemption may not be granted to an individual who had elected social security coverage by filing an effective waiver certificate under section 1402(e) of present law.

The new section 1402(e) (2) provides that an individual’s application for exemption must be filed on or before the due date of the individual’s income tax return for the second taxable year for which he has net earnings from self-employment of $400 or more, any part of which was derived from his services as a clergyman, member, or practitioner, or the due date of his tax return for his second taxable year ending after 1967, whichever date is later. The effect of this provision (with respect to persons who are on a calendar year basis) is that an individual performing services as a clergyman, member, or practitioner in 1968 or before (and who has not elected coverage under present law) will have until April 15, 1970, to obtain an exclusion from coverage under the new section 1402(e); those individuals first performing such services in 1969 or later will have until the due date of the tax return for the second year in which they performed such services to obtain the exclusion.

The new section 1402(e) (3) provides that an exemption from taxes under the new section 1402(e) will be effective for the first taxable year in which such clergyman, member, or practitioner has net earnings of $400 or more, any part of which was derived from performing services as a clergyman, member, or practitioner, and for all succeeding taxable years. Section 1402(e) (3) also provides that an exemption under the new section 1402(e) is irrevocable.

Section 115(e) of the bill provides that the amendments made by sections 115 (a) and (b) of the bill are to apply only with respect to taxable years ending after 1967. The effect of section 115(e) of the bill, with respect to existing law, is to provide that an individual who performed services as a clergyman, member, or practitioner in 1966 or 1967 and whose time for electing coverage under present law, by filing an effective waiver certificate under present section 1402(e) of the code, had not expired before the enactment date will retain his rights under present law to elect coverage for those 2 years. Thus, an individual who
first had such services in 1966 will have until April 15, 1968, to choose to cover his services performed in 1966 and 1967; an individual who first had such services in 1967 will have until April 15, 1969, to choose to cover his services performed in 1967.

An individual not electing coverage under present law will be covered under social security for taxable years ending after December 31, 1967, unless he is granted an exemption under the new section 1402(e) of the code.

SECTION 116. COVERAGE OF STATE AND LOCAL EMPLOYEES

Coverage for certain persons who are in positions under a State or local retirement system but are ineligible to join such system

Section 218(d)(6)(D) of the Social Security Act provides that when social security coverage is extended to persons under a retirement system under the divided retirement system procedure provided for under section 218(d)(6)(C), the coverage does not apply to persons who are in positions under the retirement system but are ineligible to join the system. Section 116(a) of the bill amends section 218(d)(6)(D) of the act to permit the coverage of all such "ineligibles" other than those to whose services the agreement already applies.

Under present law, when persons in positions covered under a retirement system who are personally ineligible to join the system are brought under social security with a nonretirement system group, the State is required to specify whether their social security coverage is to continue or to be terminated in the event they later become eligible to join the retirement system. This same requirement will apply in the case of persons brought under coverage under the amendment made by section 116(a).

Mandatory exclusion of emergency services

Sections 116(b)(1) and (2) of the bill remove the present provision (sec. 218(c)(3)(A) of the act) that "emergency services" may be excluded from coverage under a State coverage agreement at the option of the State, and substitute a new provision (sec. 218(c)(6)(E)) for the mandatory exclusion from such coverage of service performed by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency.

Section 116(b)(3) of the bill provides that these changes will be effective with respect to services performed on or after January 1, 1968.

Optional exclusion of certain services performed by election workers

Section 116(c) of the bill amends section 218(c) of the act by adding a new paragraph (8) to give the States the option under a State coverage agreement of excluding from coverage service performed by election officials and election workers if the remuneration paid in a calendar quarter for such service is less than $50. A State will be permitted to modify its agreement on or after January 1, 1968, to exclude such services. The exclusion will become effective with a date specified by the State, but not before the first day of the calendar quarter after the quarter in which the modification is mailed, or delivered by other means, to the Secretary.
SECTION 117. INCLUSION OF ILLINOIS AMONG STATES PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

Section 117 of the bill amends section 218(d)(6)(C) of the Social Security Act by adding Illinois to the list of States which are permitted to divide their retirement systems into two divisions or parts for social security coverage purposes, one division or part consisting of those members desiring coverage under the act and the other consisting of those who do not, with all new members being covered on a compulsory basis.

SECTION 118. TAXATION OF CERTAIN EARNINGS OF RETIRED PARTNERS

Amendments to the Internal Revenue Code of 1954

Under existing law, retirement payments received by a retired partner from a partnership (of which he is a member or a former member) are, in general, counted as net earnings from self-employment under section 1402(a) of the Internal Revenue Code of 1954 and, subject to the provisions of section 1402(b) of the code (defining self-employment income), are subject to the social security self-employment tax. Section 118(a) of the bill amends section 1402(a) of the code by adding a new paragraph (10), which provides that under specified conditions there shall be excluded from the term “net earnings from self-employment,” and thus excluded from the social security self-employment tax, certain periodic payments made by a partnership to a retired partner which are made on account of retirement pursuant to a written plan of the partnership. The new section 1402(a)(10) specifies that the plan (if the exclusion is to be effective) must meet such requirements as are prescribed by the Secretary of the Treasury or his delegate, apply to partners generally or to a class or classes of partners, and provide such payments at least until the retired partner’s death. The new section 1402(a)(10) further provides that the exclusion will be effective with respect to retirement payments received by the retired partner in a year only if he renders no services in any trade or business conducted by the partnership or its successors during the taxable year of such partnership, or its successors, which ends within or with the taxable year of the retired partner, and at the end of such partnership’s taxable year (1) there is no obligation from the other partners in the partnership to the retired partner other than to make retirement payments under the partnership plan, and (2) the retired partner’s share in the capital of the partnership has been paid to him in full.

Amendments to title II of the Social Security Act

Under existing law, retirement payments received by a retired partner from a partnership (of which he is a member or a former member) are, in general, counted as net earnings from self-employment under section 211(a) of the Social Security Act and, subject to the provisions of section 211(b) of the act (defining self-employment income), are covered under social security. Section 118(b) of the bill amends section 211(a) of the act by adding a new paragraph (9), which provides that under specified conditions there shall be excluded from the term “net earnings from self-employment,” and thus excluded
from social security coverage for benefit computation and retirement test purposes, certain periodic payments made by a partnership to a retired partner which are made on account of retirement pursuant to a written plan of the partnership. The new section 211(a) (9) specifies that the plan (if the exclusion is to be effective) must meet such requirements as are prescribed by the Secretary of the Treasury or his delegate, apply to partners generally or to a class or classes of partners, and provide such payments at least until the retired partner’s death. The new section 211(a) (9) further provides that the exclusion will be effective with respect to retirement payments received by the retired partner in a year only if he renders no services in any trade or business conducted by the partnership or its successors during the taxable years of such partnership, or its successors, which ends within or with the taxable year of the retired partner, and at the end of such partnership’s taxable year (1) there is no obligation from the other partners in the partnership to the retired partner other than to make retirement payments under the partnership plan, and (2) the retired partner’s share in the capital of the partnership has been paid to him in full.

Effective date
Section 118(c) of the bill provides that the amendments made by section 118 (a) and (b) will apply with respect to net earnings from self-employment in taxable years which end on or after December 31, 1967.

PART 3—HEALTH INSURANCE BENEFITS

SECTION 125. METHOD OF PAYMENT TO PHYSICIANS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Section 125(a) of the bill amends section 1842(b)(3)(B) of the Social Security Act by providing an alternative to the receipted bill and assignment methods provided under present law for the payment of medical insurance benefits for services reimbursable on the basis of reasonable charges. Under this alternative procedure, payment requested on the basis of an itemized bill will be made to the physician or other person providing the service if the bill is submitted by him in such form and manner and within such time as may be specified in regulations and if the full charge does not exceed the reasonable charge for the service rendered. Payment may be made to the patient where payment is not made to the person providing the service either because the charge made is found to exceed the reasonable charge for the service or because such person fails to submit the bill within the time or in the form and manner specified or directs that payment be made to the patient. Payment may be made under these circumstances to the patient only if the bill is submitted in such form and manner as the Secretary may prescribe.

Section 125(a) of the bill further amends section 1842(b)(3)(B) of the act to establish a time limit on the period within which payment may be requested under the supplementary medical insurance program with respect to physician’s services and other services reimbursable under that program on a reasonable charge basis. Claims for the services in question must be filed no later than the end of the calendar year following the year in which the services were furnished;
for purposes of applying this limitation, services furnished in the last
3 months of a calendar year will be deemed to have been furnished in
the subsequent year.
Section 125(b) of the bill provides that these amendments will apply
to bills received after December 31, 1967.

SECTION 126. ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICATION
IN CASE OF CERTAIN HOSPITAL SERVICES

Section 126 of the bill amends section 1814(a) of the Social Security
Act (as amended by sec. 129(c)(5) of the bill) and section 1835(a) of
the act with respect to the requirements for physicians' certificates. The
effect of section 126(a) is to eliminate the requirement for hospital
insurance payments that there be a physician's certification of medical
necessity with respect to admissions to hospitals which are neither psy­
chiatric nor tuberculosis institutions; the effect of section 126(b), in
combination with the amendment made by section 129(c) of the
bill, is to eliminate all requirements for physicians' certifications with
respect to outpatient hospital services.
Section 126(a) of the bill amends section 1814(a) of the act so as
to eliminate the hospital insurance program requirement that there be
a physician's certification of medical necessity with respect to each
admission to a general hospital, and to require such a certification only
in cases of hospital stays of extended duration (and in cases of admis­
sions to and stays in tuberculosis and psychiatric hospitals).
Section 126(b) of the bill amends section 1835(a)(2)(B) of the act
by eliminating the supplementary medical insurance program require­
ment that there be a physician's certification with respect to services
furnished by providers of services which are incident to a physician's
service to outpatients (or to hospital outpatient diagnostic services).
Section 126(c) of the bill provides that these amendments will apply
to services furnished after the date of the bill's enactment.

SECTION 127. INCLUSION OF PODIATRISTS' SERVICES UNDER
SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Section 127(a) of the bill amends section 1861(r) of the Social
Security Act to include within the definition of the term "physician"
a doctor of podiatry or surgical chiropody, but only with respect to
functions which he is legally authorized to perform as such by the
State in which he performs them. A doctor of podiatry or surgical
chiropody will not, however, be considered a "physician" for purposes
of section 1814(a) of the act (relating to certification and recertifica­
tion of medical necessity under pt. A of title XVIII), section 1835 of
the act (relating to certification and recertification of medical necessity
under pt. B), or section 1861(k) of the act (relating to utilization
review).
Section 127(b) of the bill amends section 1862(a) of the act, which
provides that no payment may be made under part A or part B (re­
gardless of any other provision of title XVIII) for any expenses
incurred for certain specified health items and services, by adding a
new paragraph (13). The new paragraph (13) provides that no pay­
ment may be made for any expenses incurred for the treatment of flat
foot conditions and the prescription of supportive devices therefor, the
treatment of subluxations of the foot, or routine foot care (including the cutting or removal of corns, warts, or calluses, the trimming of nails, and other routine hygienic care).

Section 127(c) of the bill provides that these amendments will apply with respect to services furnished after December 31, 1967.

SECTION 128. EXCLUSION OF CERTAIN SERVICES

Section 128 of the bill amends section 1862(a)(7) of the Social Security Act, which provides that no payment may be made under part A or part B (regardless of any other provision of title XVIII) for expenses incurred for routine physical checkups, eyeglasses, eye examinations for the purpose of prescribing, fitting, or changing eyeglasses, or hearing aids or examinations therefor, by adding a provision that no payment may be made for expenses incurred for procedures performed (during the course of any eye examination) to determine the refractive state of the eyes.

SECTION 129. TRANSFER OF ALL OUTPATIENT HOSPITAL SERVICES TO SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Section 129(a) of the bill amends section 1861(s)(2) of the Social Security Act to include in the definition of medical and other health services for which payment may be made under the supplementary medical insurance program diagnostic services which are (1) furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital, and (2) ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study.

Section 129(b) of the bill further amends section 1861(s) of the act to exclude from the diagnostic services referred to in paragraph (2) thereof for which medical insurance payments may be made (other than the services of "physicians") any item or service which (1) would not be covered under the hospital insurance program if it were furnished to an inpatient of a hospital, or (2) is furnished by others under arrangements with them made by the hospital unless furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff.

Section 129(c) of the bill, to reflect the transfer of all outpatient hospital diagnostic services from part A (the hospital insurance program) to part B (the supplementary medical insurance program), makes various conforming amendments in both part A and part B of title XVIII of the act. Paragraphs (1) and (2) of section 129(c) of the bill eliminate outpatient hospital diagnostic services from the list of services covered under part A. Paragraphs (3) and (4) eliminate the special $20 deductible and 20 percent coinsurance provisions of part A relating to these services (which will become subject to the regular deductible and coinsurance provisions of pt. B), and paragraphs (7) and (8) eliminate provisions of part B relating to the treatment of the present outpatient hospital diagnostic services deductible under part A for purposes of part B. Paragraph (6) eliminates the present part A authorization of payment for emergency outpatient hospital diagnostic services, and paragraph (9) provides (in a new sec. 1835(b) of the act) that payment may be made under
part B to any hospital for outpatient hospital diagnostic services furnished to an individual entitled to benefits under the supplementary medical insurance program even though such hospital does not have an agreement under title XVIII in effect 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; such payments will be made only on the basis of 80 percent of costs, as provided under section 1833(a)(2), and then only if such hospital agrees to comply, with respect to the emergency services provided, with the provisions of the agreement under part A of title XVIII under which participating hospitals are not permitted to charge the patient for covered services. Paragraphs (5), (10), (11), (12), and (13) make conforming changes.

Section 129(d) of the bill provides that the amendments made by section 129(a), (b), and (c) will apply with respect to services furnished after December 31, 1967.

SECTION 130. BILLING BY HOSPITAL FOR SERVICES FURNISHED TO OUTPATIENTS

Section 130(a) of the bill amends section 1835(a) of the Social Security Act (as amended by sec. 129(c)(9)(A) of the bill) to take account of the exception to the payment procedures for providers of services that is added to the act by section 130(b) of the bill.

Section 130(b) of the bill further amends section 1835 of the act (as amended by section 129(c)(9)(B) of the bill) to provide in a new subsection (c) that, notwithstanding section 1832 (which provides, in part, that medical insurance payments for hospital services may be made only to the hospital), section 1833 (which provides, in part, for reimbursement for hospital services to be made only on a reasonable-cost basis), and section 1866(a)(1)(A) (which bars a hospital from collecting charges beyond the deductible and coinsurance amounts for covered hospital services), hospitals may elect, subject to such limitations as the Secretary may prescribe, to collect from an individual covered by the supplementary medical insurance program the customary charges for covered outpatient hospital services, but only if such charges do not exceed $50. Such charges will be considered to be expenses incurred by the beneficiary for purposes of applying the medical insurance deductible and making payments under the supplementary medical insurance program. Payments under the supplementary medical insurance program to hospitals which have elected to make collections from individuals pursuant to this provision are to be adjusted periodically to place the hospital in the same position as it would have been in had it not elected to make such collections.

Section 130(c) of the bill provides that these amendments will apply with respect to services furnished after December 31, 1967.

SECTION 131. PAYMENT OF REASONABLE CHARGES FOR RADIOLOGICAL OR PATHOLOGICAL SERVICES FURNISHED BY CERTAIN PHYSICIANS TO HOSPITAL INPATIENTS

Section 131(a) of the bill amends section 1833(a)(1) of the Social Security Act by increasing from 80 to 100 percent of reasonable charges the amount payable under the supplementary medical insurance program with respect to expenses incurred for radiological or
Section 132. Payment for purchase of durable medical equipment

Section 132(a) of the bill amends section 1861(s)(6) of the Social Security Act, which presently provides for payment to be made under the supplementary medical insurance program with respect to expenses incurred in the rental of durable medical equipment, to provide that payments may also be made with respect to expenses incurred in the purchase of durable medical equipment.

Section 132(b) of the bill amends section 1833 of the act to provide, in a new subsection (f), that when payments under the supplementary medical insurance program are made with respect to the purchase of durable medical equipment, the payments will be made in amounts which the Secretary determines to be equivalent to the payments that would have been made over the period involved had the equipment been rented. Such payments are to be made over the period of time for which the Secretary finds that the new equipment will be used for the patient's medical treatment (but in no case may payments exceed the purchase price, less applicable deductible and coinsurance amounts, for the equipment). However, payment in the case of purchase of inexpensive equipment may be made in a lump sum if the Secretary finds that such method of payment is less costly or more practical than periodic payments.

Section 132(c) of the bill provides that these amendments will apply only with respect to items purchased after December 31, 1967.

Section 133. Payment for physical therapy services furnished by hospital to outpatients

Section 133(a) of the bill amends section 1861(s)(2) of the Social Security Act (as amended by sec. 129(a)(2) of the bill) to provide that supplementary medical insurance payments may be made for physical therapy services even though the services are not directly incident to a physician's services if they are furnished by a hospital, or by others under arrangement with a hospital, to an outpatient in a place of residence used as his home and if they are furnished under the hospital's supervision.

Section 133(b) of the bill provides that this amendment will apply to services furnished after December 31, 1967.

Section 134. Payment for certain portable X-ray services

Section 134(a) of the bill amends section 1861(s)(3) of the Social Security Act to provide that the diagnostic X-ray tests for which payments may be made under the supplementary medical insurance pro-
gram will include tests conducted by a nonphysician in a place of residence used as the patient's home if they are performed under the supervision of a physician (which need not be direct supervision) and if the tests meet such conditions relating to health and safety as the Secretary may find necessary.

Section 134(b) of the bill provides that this amendment will apply with respect to services furnished after December 31, 1967.

SECTION 135. BLOOD DEDUCTIBLES

Section 135(a) of the bill amends section 1813(a)(2) of the Social Security Act as redesignated by section 129(c)(3) of the bill (sec. 1813(a)(3) under present law), which provides that payment cannot be made to any provider of services under the hospital insurance program for the cost of the first 3 pints of whole blood furnished to an individual during a spell of illness. The amendment makes the 3-pint deductible also applicable to equivalent quantities of packed red blood cells, as defined by the Secretary under regulations.

Section 135(b) of the bill amends section 1866(a)(2)(C) of the amended by sections 129(c)(7) and 131(b) of the bill) to provide that to the extent that a provider of services may charge for blood under section 1866(a)(2)(C) of the act, it may do so in accordance with its customary practices; (2) to include, in addition to whole blood for which a provider of services may charge under present law, equivalent quantities of packed red blood cells; and (3) to provide that blood furnished an individual under part A will be considered to be replaced when the provider is given 1 pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells) furnished the individual to which the 3-pint deductible applies.

Section 135(c) of the bill amends section 1833(b) (as amended by sections 129(c)(7) and 131(b) of the bill) to provide that there shall be a deductible under the supplementary medical insurance program equal to the expenses incurred for the first three pints of whole blood (or equivalent quantities of packed red blood cells as defined under regulations) furnished to an individual during a calendar year. This deductible is to be appropriately reduced in accordance with regulations to the extent that such blood has been replaced, and such blood will be considered to have been replaced when the institution or other person furnishing such blood is given 1 pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells) furnished the individual to which the 3-pint deductible applies.

Section 135(d) provides that these amendments will apply with respect to payments for blood furnished an individual after December 31, 1967.

SECTION 136. ENROLLMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM BASED ON ALLEGED DATE OF ATTAINING AGE 65

Section 136(a) of the bill amends section 1837(d) of the Social Security Act to provide that where the Secretary finds that an individual who has attained age 65 failed to enroll in the supplementary medical insurance program because the individual, relying on erroneous docu-
mentary evidence, was mistaken about his age, the individual may enroll in such program, using the date of attainment of age 65 that he alleges and for which he presented documentary evidence. In such a case, the provisions in the law relating to enrollment, reenrollment, and coverage periods will be applied as if the individual's alleged date of attainment of age 65 were his actual date of attainment.

Section 138(b) of the bill provides that this amendment will apply to persons enrolling in the supplementary medical insurance program in months beginning after the date of enactment of the bill.

SECTION 137. EXTENSION OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES TO 120 DAYS

Section 137(a) of the bill amends sections 1812(a)(1) and 1812(b)(1) of the Social Security Act to increase from 90 days to 120 days the maximum number of days of inpatient hospital services for which an individual is entitled to have payments made during any spell of illness.

Section 137(b) of the bill amends section 1813(a)(1) of the act by adding the requirement that the amount payable for inpatient hospital services furnished during any spell of illness will be reduced by a coinsurance amount equal to one-half of the inpatient hospital deductible (the amount of which is determined under sec. 1813(b)) for each day before the 121st day of inpatient hospital services after such services have been furnished for 90 days during a spell of illness. The amended section 1813(a)(1) further provides that if the charges imposed for such services for any day in the period after the individual has been furnished 60 days of such services are less than the amount of the reduction imposed under section 1813(a)(1), the amount payable for such services will be reduced by the amount of the charges imposed or the customary charges, whichever are greater.

Section 137(c) of the bill provides that these amendments will apply with respect to services furnished after December 31, 1967.

SECTION 138. LIMITATION ON SPECIAL REDUCTION IN ALLOWABLE DAYS OF INPATIENT HOSPITAL SERVICES

Section 138(a) of the bill makes two changes in section 1812(c) of the Social Security Act, which presently provides that if an individual is an inpatient of a psychiatric or tuberculosis hospital on the first day of the first month for which he is entitled to benefits under the hospital insurance program, the days on which he was an inpatient of such a hospital in the 90-day period immediately before such first day will reduce the number of days of inpatient hospital benefits for which payment could otherwise be made during his first spell of illness. First, section 1812(c) is amended so that the limitation will no longer reduce an individual's eligibility to have payment made for inpatient hospital services furnished by a hospital which is neither a psychiatric nor a tuberculosis institution if the services are not primarily for the diagnosis or treatment of mental illness or tuberculosis. Second, conforming changes in section 1812(c) are made to take account of the increase (provided for under sec. 127 of the bill) from 90 to 120 days in the number of days of inpatient hospital benefits for which payment
can be made during a spell of illness and to increase from 90 days to 120 days the period prior to the institutionalized psychiatric or tuberculosis patient's entitlement under the hospital insurance program during which days of care in a psychiatric or tuberculosis institution count against his inpatient hospital benefit eligibility.

Section 138(b) of the bill provides that these amendments will apply with respect to payments for services furnished after December 31, 1967.

SECTION 139. TRANSITIONAL PROVISION ON ELIGIBILITY OF PRESENTLY UNINSURED INDIVIDUALS FOR HOSPITAL INSURANCE BENEFITS

Section 139 of the bill amends section 103(a) (2) of the Social Security Amendments of 1965, which permits certain persons not entitled to social security or railroad retirement cash benefits to qualify for hospital insurance benefits. The amendment reduces from six quarters of coverage to three quarters of coverage the minimum quarters of coverage required for persons attaining age 65 in 1968 for entitlement under this provision. A person attaining age 65 after 1968 will need three additional quarters of coverage for each year that elapsed between 1965 and the year he attains age 65.

SECTION 140. ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT

Section 140(a) of the bill requires the Secretary of Health, Education, and Welfare to appoint an Advisory Council to study the need of the disabled for coverage under the health insurance program.

Section 140(b) of the bill provides that the Council shall consist of 12 members representing organizations of employers and employees (in equal numbers), self-employed persons, and the public.

Section 140(c) of the bill provides that the Council may engage such technical assistance as it needs, and that the Secretary shall make available to it such secretarial, clerical, and other assistance, and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare, as it requires.

Section 140(d) provides that the members of the Council are to be compensated at rates fixed by the Secretary, not exceeding $100 a day, and may be allowed travel expenses.

Section 140(e) of the bill requires the Council to make findings with respect to the unmet need of the disabled for health insurance protection, the cost of providing the disabled with insurance protection against the costs of hospital and medical services, and the ways of financing this protection. The Council is also required to make recommendations on the financing of such protection and on the extent to which the cost of such protection could appropriately be borne by the Hospital Insurance and Supplementary Medical Insurance Trust Funds. The Council is required to submit a report on these questions to the Secretary of Health, Education, and Welfare no later than January 1, 1968, and to transmit the report to the Congress and the boards of trustees of the trust funds. After such report is transmitted to the Congress, the Council will cease to exist.
SECTION 141. STUDY TO DETERMINE FEASIBILITY OF INCLUSION OF CERTAIN ADDITIONAL SERVICES UNDER PART B OF TITLE XVIII OF THE SOCIAL SECURITY ACT

Section 141 of the bill requires the Secretary of Health, Education, and Welfare to study the question of adding to the services now covered under the supplementary medical insurance program the services of additional types of licensed practitioners performing health services in independent practice. The Secretary is required to report to the Congress, prior to January 1, 1969, his finding with respect to the need for covering under the supplementary medical insurance program any or all of the various types of services performed by such practitioners and the costs of such coverage. The Secretary is also required to make recommendations as to the priority of covering these services, the methods of coverage, and the safeguards that should be included in the law if any such coverage is provided.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

SECTION 150. ELIGIBILITY OF ADOPTED CHILD FOR MONTHLY BENEFITS

Payment of benefits to certain adopted children

Section 150(a) of the bill amends section 216(e) of the Social Security Act to provide an alternative to the present provision under which a child may be considered the adopted child of a deceased worker if the child is adopted by the worker's widow within 2 years of the worker's death. Under the alternative a child adopted by the worker's widow will also qualify as the worker's child if he was living in the worker's household when the worker died and if proceedings for the adoption had been instituted by the worker before he died, regardless of whether the adoption was completed within 2 years.

Effective date

Section 150(b) of the bill provides that this amendment will be effective for and after the second month following the month of enactment of the bill on the basis of applications filed in or after the month of enactment of the bill.

SECTION 151. CRITERIA FOR DETERMINING CHILD'S DEPENDENCY ON MOTHER

Section 151 of the bill provides that a child will be deemed dependent upon his mother or adopting mother according to the same criteria that are used to determine whether a child is dependent on his father or adopting father under existing law.

Dependency on mother

Section 151(a) of the bill amends section 202(d)(3) of the Social Security Act to provide that a child will be deemed dependent on his mother or adopting mother (as well as on his father or adopting father) if the child has not been legally adopted by another person and if the child is the parent's legitimate or legally adopted child. (or the parent was either living with or contributing to the support of the child). Section 151(a) also amends section 202(d)(3) to provide that the child of any individual who meets the definition of relationship
described in section 216(h)(2)(B) (regarding children of certain invalid marriages) or in 216(h)(3) (regarding certain illegitimate children) will be deemed to be the legitimate child of that individual, whether the individual is the child's father or mother; present law restricts the application of this provision to fathers.

Dependency on stepparent
Section 151(b) of the bill amends section 202(d)(4) of the act to provide that a child will be deemed dependent on his stepparent (as well as on his stepfather) if the child is living with the stepparent or if the stepparent is contributing at least one-half of the child's support.

Elimination of special requirements for dependency on mother
Section 151(c) of the bill eliminates section 202(d)(5) of the act, thus striking out the provisions that (1) a child will be deemed dependent on his mother or adopting mother if she is currently insured, and (2) a child can be deemed dependent on a mother who is not currently insured only if she is contributing one-half of the child's support or, if the child is not living with his father nor being supported by him, only if she is then living with or supporting the child.

Conforming changes
Section 151(d) of the bill makes conforming changes (including changes in the Railroad Retirement Act of 1937) required by the re-numbering of the paragraphs in section 202(d) of the act.

Effective date
Section 151(e) of the bill makes these amendments effective for monthly benefits beginning with the second month following the month of enactment of the bill on the basis of applications filed in or after the month of enactment.

SECTION 152. UNDERPAYMENTS

Section 152(a) of the bill amends section 204(d) of the Social Security Act to provide that cash benefits (including unnegotiated checks) due a beneficiary at the time of his death will be paid in the following order of priority: (1) To the surviving spouse of the deceased beneficiary if she was entitled to monthly benefits for the month in which he died on the basis of the same earnings record as was the deceased beneficiary, (2) to his child or children if they were entitled to benefits on the same earnings record, (3) to his parent or parents if they were entitled to benefits on the same earnings record, (4) to the legal representative of his estate, (5) to his surviving spouse who is not entitled to benefits on the same earnings record, or (6) to his child or children who are not entitled to benefits on the same earnings record.

Sections 152(b) and (c) of the bill amend section 1870 of the act to provide that where a person enrolled in the supplementary medical insurance program dies after receiving covered services for which reimbursement is due but before reimbursement has been made, and the bill for such covered services has been paid, the medical insurance benefits will be paid to the person who paid the medical bill. If there is no such person, the benefit will be paid to the legal representative of the de-
ceased beneficiary's estate, if any. If there is no legal representative, the medical insurance benefits will be paid according to the following order of priority: To the surviving spouse who was living in the same household as the deceased beneficiary at the time of his death; to the surviving spouse who was entitled in the month the beneficiary died to benefits on the same earnings record as the deceased beneficiary; or to the child or (in equal parts) the children of the deceased beneficiary.

Section 152(c) of the bill further amends section 1870 of the act to provide that where a person enrolled in the supplementary medical insurance program who received covered services under the plan dies, and no assignment of benefits for such services was made and these services have not been paid for, reimbursement under the medical insurance program can be made to the physician or other person who provided such services, but only if the physician (or other person) agrees to accept the "reasonable charge" for such services as his full charge.

Section 152(d) of the bill amends section 1842(b) (3) (B) of the act (as amended by sec. 125(a) of the bill) to provide an exception to the usual method of reimbursement on the basis of charges in cases where the beneficiary dies.

**SECTION 153. SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTERS OF COVERAGE IN CASE OF 1937-1950 WAGES**

Section 153 of the bill provides a simplified method of computing benefits when earnings before 1951 are included in the computation, and of determining quarters of coverage for the period before 1951 when quarters of coverage in this period are needed to establish a fully insured status, so that machine, rather than manual, procedures can be used in making such computations and determinations.

*Primary insurance benefit; column I of the revised benefit table*

Section 153(a) of the bill amends section 215(d) of the Social Security Act to provide a simplified method of computing benefits where earnings before 1951 are included in the computation.

Section 153(a)(1) of the bill amends section 215(d)(1) of the act to provide a revised method for computing the "primary insurance benefit," from which the worker's primary insurance amount (the amount on which the worker's benefit and the benefits of his dependents and survivors are based) is ultimately derived, when pre-1951 wages are used in the computation. The revised method for computing the primary insurance benefit is as follows: As under present law, the worker's average monthly wage will be determined over a number of years equal to 5 less than the number of years elapsing after 1936 (or after the year in which he attains 21) and up to the year in which he attains age 65 (62 for a woman), becomes disabled, or dies. Where the worker's total wages in that period do not exceed $27,000, he will be deemed, for benefit computation purposes, to have been paid those wages in 9 years prior to 1951; where the total wages are more than $27,000 but less than $42,000, he will be deemed to have been paid the wages at the rate of $3,000 a year (the maximum annual amount creditable before 1951) with any amount over a multiple of $3,000 being assigned to 1 additional year; and where the total wages credited before 1951 are at least $42,000, he will be deemed to have been paid $3,000 in each of the 14
calendar years prior to 1951. (Under present law, the worker’s actual wages as paid to him in each year for the period 1937–50 must be used, and annual breakdowns of wages earned during that period 1937–50 are not available for machine use.) Total wages before 1951, for purposes of determining the primary insurance benefit, are defined as the sum of the remuneration credited to the worker’s earnings record for 1937–50 plus any military wage credits and compensation under the Railroad Retirement Act of 1937 creditable for that period. The formula for determining the primary insurance benefit is to be 45.6 percent of the first $50 of average monthly earnings, plus 11.4 percent of the next $200 of average monthly earnings. This formula gives the same effect as the present-law formula for computing benefits where the period used is the one beginning with 1937 and where 14 “increments” are given. (Under present law, an “increment” is the term used to describe the 1-percent increase in the primary insurance benefit that is given for each year before 1951 in which the worker was paid wages of $200 or more; the maximum possible is 14—the number of years in the period 1937–50.)

Section 153(a)(2) of the bill amends section 215(d)(2) of the act to specify that the revised computation method is to be available only for a person who (A) as under present law, has at least one quarter of coverage before 1951; (B) as under present law, reaches age 22 after 1950 (but, unlike the requirement in present law, not if he reached age 21 before 1951), provided that he has less than six quarters of coverage after 1950; and (C) either (i) becomes entitled to old-age or disability insurance benefits after the date of enactment of the bill, (ii) dies after the date of enactment without having been entitled to old-age or disability insurance benefits, or (iii) has his primary insurance amount recomputed.

Section 153(a)(3) of the bill amends section 215(d)(3) of the act to provide that the computation provisions in effect before the enactment of the bill are to apply (A) to a person who attained age 21 after 1936 and before 1951, and (B) to a disabled person when his period of disability began before 1951 and the years in his period of disability are excluded in computing his benefit. These provisions are necessary in order to assure that these people do not get smaller benefit amounts than they would get under present law. The new computation method was designed for use only in those cases where at least 9 years before 1951 would have to be used in the computation, and 9 years before 1951 would not have to be used in computing a benefit where the person reached age 21 after 1936 and before 1951 or where years of disability before 1951 are excluded in the computation.

Section 153(a)(4) of the bill amends section 215(f)(2) of the act to provide that benefits for people on the benefit rolls will be recomputed for years after 1965 only in the case of a person who has creditable earnings after 1965. Under present law, a recomputation is made regardless of earnings, but if there are no earnings since the last previous computation the benefit is not increased by the recomputation. The change provided by the bill is made to avoid increases in benefits that would be possible solely as a result of recomputing the benefits for everyone on the benefit rolls under the revised computation method provided under this amendment.
Section 153(a)(5) of the bill amends section 215(f)(2) of the act to change the designation of two paragraphs therein to conform with changes made by section 153(a)(4).

Section 153(a)(6) of the bill adds to section 215(f) of the act a new paragraph (5) to provide that the primary insurance amount of a man who was entitled to an actuarially reduced old-age benefit and who died before age 65 will be recomputed using the period up to the year of death instead of the period up to the year of attaining age 65, regardless of whether he had earnings after 1965. (Sec. 153(a)(4) of the bill provides that benefits for people on the benefit rolls are to be recomputed for years after 1965 only where a person had creditable earnings after 1965.) The recomputed primary insurance amount will be effective for and after the month of the worker's death; i.e., will be the amount from which the survivor's benefits and lump-sum death payment are determined.

Section 153(a)(7) of the bill provides that (A) the changes made by section 153(a)(4) (which specify that recomputations for years after 1965 will be made only if a person has creditable earnings after 1965), and the conforming change in section 153(a)(5), will apply to recomputations made after the date of enactment of the bill, and (B) the changes made by section 153(a)(6) (which provide for recomputing the primary insurance amount of a man who was entitled to an actuarially reduced old-age benefit and who died before age 65) will apply in the case of men who die after the date of enactment.

Section 153(a)(8) of the bill assures that a person who is getting a benefit based on a primary insurance amount determined under the revised computation method between the date of enactment and the effective month of the general benefit increase under section 101 of the bill will get the benefit increase. Where a person becomes entitled to a social security benefit after the date of enactment and before the second month after the month of enactment, and the benefit is based on a primary insurance amount that was determined under the revised computation method, the primary insurance amount will be deemed (for purposes of col. II in the revised benefit table, which shows the primary insurance amounts in effect before the enactment of the bill) to have been computed under the law in effect before the enactment of the bill.

Section 153(a)(9) of the bill provides that the changes made by section 153(a) for computing benefits where pre-1951 wages are used will not apply for monthly benefits before January 1967; that is, where, under the provisions regarding retroactivity of benefits in present law, benefits are payable for some months of 1966, the benefit amounts will be figured under the computation provisions in effect before the enactment of the bill; where benefits are payable for months in 1967, the benefits will be figured under the revised computation method provided in section 153(a) of the bill.

Alternative method for determining quarters of coverage

Section 153(b) of the bill amends section 213 of the act to provide an alternative method for determining quarters of coverage for the period 1937-50, based on total wages in that period.

Section 153(b)(1) provides that a person will be deemed to have one quarter of coverage for each $400 of total wages prior to 1951.
This alternative method is to be used only to determine fully insured status, and is limited to those people who need seven or more quarters of coverage for a fully insured status. If the person is not fully insured based on the quarters of coverage determined for the period 1937-50 under the alternative method, plus the quarters of coverage determined under the provisions of present law for the period after 1950, his quarters of coverage will be determined under the provisions of present law.

Section 153(b)(2) of the bill provides that the alternative method for determining quarters of coverage is to apply for a worker who files an application for old-age insurance benefits in or after the month of enactment and for a worker whose death occurs in or after that month if the worker was not previously entitled to an old-age or disability insurance benefit.

Section 153(c) of the bill amends section 303(g)(1) of the Social Security Amendments of 1960 to preserve for people who were eligible for benefits before 1961 the benefit computation provisions that were in effect before the 1960 amendments (and are retained in present law). Under these provisions, the worker's benefit amount can be based on his average monthly wage over a period as short as 16 years where earnings before 1951 are used (rather than a minimum of 19 years, as would be needed under the computation provisions enacted in 1960), but the worker cannot substitute, for earnings in a year prior to eligibility, earnings in a year after he became eligible (as is possible under the computation provisions enacted in 1960). The revised computation method would, however, be available for people who were eligible for benefits before 1961 when their benefits are computed under the provisions in effect after the 1960 amendments (which require that at least 19 years after 1936 be used in figuring their average monthly earnings).

SECTION 154. DEFINITIONS OF WIDOW, WIDOWER, AND STEPCILD

Section 154(a) of the bill amends section 216(c) of the Social Security Act, relating to the definition of widow, to reduce the duration-of-relationship requirement—the length of time a widow not otherwise qualifying must have been married to her deceased husband in order to get benefits on his earnings record—from 1 year to 9 months.

Section 154(b) of the bill amends section 216(e) of the act, relating to the definition of stepchild, to reduce the duration-of-relationship requirement for stepchildren of deceased workers from 1 year to 9 months.

Section 154(c) of the bill amends section 216(g) of the act, relating to the definition of widower, to reduce the duration-of-relationship requirement from 1 year to 9 months.

Section 154(d) of the bill amends section 216 of the act by adding a new subsection (k) to provide that where a member of a uniformed service dies in line of duty while serving on active duty, or where a deceased individual's death was accidental, the 9-month duration-of-relationship requirement applicable to the surviving spouse and stepchild of the deceased individual shall be deemed to be satisfied if the marriage lasted 3 months unless the Secretary determines that at the
time of the marriage the individual could not reasonably have been expected to live for 9 months. For this purpose an individual’s death is “accidental” if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of these injuries and independently of all other causes, dies within 3 months.

Subsection (e) of section 154 provides that these amendments will be effective for and after the second month following the month of enactment of the bill.

SECTION 155. HUSBAND’S AND WIDOWER’S INSURANCE BENEFITS WITHOUT REQUIREMENT OF WIFE’S CURRENTLY INSURED STATUS

Section 155 provides for the payment of benefits to the dependent husband or widower of a retired, disabled, or deceased woman worker regardless of whether the woman was currently insured.

Husband’s benefits

Section 155(a) of the bill amends section 202(c) (1) of the Social Security Act to eliminate the provision that in order for a man to become entitled to a husband’s benefit based on his wife’s earnings the woman must have been currently insured. The requirement that a husband must have been receiving one half of his support from his wife is not changed by the amendment. The section also makes a conforming change in section 202(c) (2).

Widower’s benefits

Section 155(b) of the bill amends section 202(f) (1) of the act to eliminate the provision that in order for a man to get widower’s benefits based on his wife’s earnings the wife must have died currently insured. The requirement that a widower must have been receiving one half of his support from his wife is not changed by the amendment. The section also makes a conforming change in section 202(f) (2).

Filing of proof of support

Section 155(c) provides that any husband or widower who was not previously eligible for the husband’s or widower’s benefits solely because his spouse did not meet the currently-insured requirement may file proof of support within 2 years after the enactment of the bill and thus establish his entitlement to benefits on her account. In the absence of this provision a husband or widower whose wife was not currently insured and came on the rolls or died more than 2 years before enactment would be unable to get benefits, since under present law a husband or widower must file proof of his dependency on his wife within the 2-year period immediately after the month of her entitlement to benefits or her death. Evidence of support must be filed within the appropriate period even though the husband may not have been eligible for benefits at that time.

Effective date

Section 155(d) of the bill makes these amendments effective for monthly benefits beginning with the second month following the month of enactment of the bill on the basis of applications filed in or after the month of such enactment.
Section 156 of the bill amends section 223 of the Social Security Act to clarify and amplify the definition of "disability" for purposes of the social security program (and to provide a special definition for purposes of widow's and widower's insurance benefits which are based on disability). Under the amendments made by sections 156 (a) and (b), the definition is contained in a new section 223(d) of the act, with the existing definition in section 223(c)(2) being eliminated.

Paragraph (1) of the new section 223(d) states the basic definition of the term "disability" exactly as it is stated in existing law; i.e. (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 (B) in the case of an individual aged 55 or over who is blind 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.

Paragraph (2)(A) of the new section 223(d) provides that in applying the basic definition (except the special definition for the blind, and except for purposes of widow's or widower's insurance benefits on the basis of disability), an individual shall be determined to be under a disability only if his impairment or impairments are so severe that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists, or whether he would be hired if he applied for work.

Paragraph (2)(B) of the new section 223(d) provides that (in applying the basic definition) a widow, surviving divorced wife, or widower shall not be determined to be under a disability for purposes of widow's or widower's insurance benefits unless his or her impairment or impairments are of a level of severity which under regulations prescribed by the Secretary is deemed sufficient to preclude an individual from engaging in any gainful activity.

Paragraph (3) of the new section 223(d) defines a physical or mental impairment as one that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

Paragraph (4) of the new section 223(d) directs the Secretary by regulations to prescribe the criteria for determining when services or earnings demonstrate ability to engage in substantial gainful activity, and provides that an individual whose work or earnings meet these criteria will be found not to be disabled (except in the case of work performed during a "period of trial work").

Paragraph (5) of the new section 223(d) provides that an individual will not be considered to be under a disability unless he furnishes such medical and other evidence of the existence of disability as the Secretary may require.
Section 156(c) of the bill makes necessary conforming changes in various provisions of the act to reflect the elimination of the existing definition of disability and the substitution of a new definition.

Section 156(d) of the bill amends section 216(i) of the act to provide that paragraphs (2)(A), (3), (4), and (5) of the new section 223(d)—relating to the requirements that must be met for an individual to be determined to be under a disability, the meaning of "impairment," the demonstration of ability to engage in substantial gainful activity, and the furnishing of evidence—are to apply also in determining whether an individual is under a disability for purposes of establishing a period of disability (the "disability freeze").

Section 156(e) of the bill provides that the amendments made by section 156 are to be effective with respect to applications for disability insurance benefits and for disability determinations for purposes of establishing a period of disability that are filed in or after the month of enactment, or before such month if the applicant has not died before such month and if either (1) notice of the final decision of the Secretary has not been given to the applicant before such month, or (2) such notice has been so given before such month but a civil action thereon is commenced (whether before, in, or after such month) under section 205(g) of the Social Security Act and the decision in such civil action has not become final before such month.

SECTION 157. DISABILITY BENEFITS AFFECTED BY RECEIPT OF WORKMEN’S COMPENSATION

Section 157 of the bill amends section 224 of the Social Security Act—the provision of present law under which social security disability benefits are reduced in certain cases where a disabled worker under age 62 qualifies for both workmen’s compensation periodic payments and social security disability benefits. Under present law, the social security benefits payable to him and his family are reduced by the amount, if any, by which the total monthly benefits payable under the two programs exceed 80 percent of his "average current earnings" before he became disabled. A worker's average current earnings for this purpose are considered to be equal to the larger of (a) the average monthly wage used for computing his social security benefits, or (b) his average monthly earnings in covered employment and self-employment during his 5 consecutive years of highest covered earnings after 1950 (not counting that part of the earnings in excess of the maximum annual amount that is taxable and creditable for social security purposes). Under the bill, covered earnings in employment and self-employment in excess of the maximum annual amount that is taxable and creditable for social security purposes are to be included in computing the disabled worker's average monthly earnings during his 5 consecutive years of highest covered earnings after 1950, thus permitting payment of a larger social security benefit than under present law in some cases.

Paragraph (1) of section 157(a) of the bill amends clause (B) of the last sentence of section 224(a) of the act to provide that the computation of 1/60th of the total of the individual's wages and self-employment income for the high 5 consecutive calendar years after 1950 (to determine average current earnings) will be made without
regard to the limitations in sections 209(a) and 211(b)(1) of the act (relating to the maximum amounts of wages and self-employment income that are creditable for social security purposes).

Paragraph (2) of section 157(a) of the bill further amends section 224(a) of the act to authorize the Secretary, under regulations, to estimate on the basis of such information as is available to him the total of an individual's annual earnings from wages and self-employment (for purposes of clause (B) of the last sentence of sec. 224(a)) for years in which the individual's earnings as reported reach the maximum creditable amount.

Paragraph (1) of section 157(b) of the bill provides that the amendment made by section 157(a) will apply only with respect to monthly benefits for months after the month of enactment.

Paragraph (2) of section 157(b) of the bill provides that, where a redetermination is made under section 224(f) of the act of the amount of social security disability benefits which are still subject to reduction, and the reduction was first applied to benefits payable for the month of enactment or a prior month, the amendments made by section 157(a) will be deemed to have applied in the initial determination of average current earnings.

SECTION 158. EXTENSION OF TIME FOR FILING REPORTS OF EARNINGS

Section 158(a) of the bill amends section 203(h)(1)(A) of the Social Security Act to permit the Secretary of Health, Education, and Welfare to grant to a beneficiary, or to an individual receiving benefits on behalf of a beneficiary, a reasonable extension—not to exceed 3 months—of the time in which the beneficiary or other individual is required to file with the Secretary a report of his annual earnings, if a valid reason for the delay exists. Under present law, the time for filing reports of earnings cannot be extended; the Secretary may, however, waive the penalties imposed for late filing of such a report if the beneficiary shows that he had good cause for failing to make the report in time.

Section 158(b) of the bill amends section 203(h)(2) of the act to make it clear that a penalty for late filing will not be imposed in cases where the beneficiary files his report of earnings after the regular deadline but within the extended period of time that he was granted by the Secretary under section 203(h)(1), as amended by section 158(a) of the bill.

SECTION 159. PENALTIES FOR FAILURE TO FILE TIMELY REPORTS OF EARNINGS AND OTHER EVENTS

Failure to file timely report of earnings

Section 159(a) of the bill amends section 203(h)(2)(A) of the Social Security Act to reduce the amount of the penalty which is imposed for the first time a beneficiary fails to report, as required, his annual earnings to the Secretary of Health, Education, and Welfare within the prescribed time. Under present law, the penalty is equal to the person's benefit for the last month for which he is entitled to benefits in the year, even though the amount that is withheld under the earnings test because he has had annual earnings of above $1,500
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is less than a full month's benefit; the amount of benefits required to
be withheld can be as little as $1. Under the amendment, the penalty
imposed for the first failure to report earnings of more than the annual
ceiling (which is $1,680 under the amendments made by sec. 107 of
the bill) within the specified time will not exceed the amount withheld
under the earnings test, unless that amount is less than $10 (in which
case the penalty will be $10).

Failure to file timely report of events other than earnings

Section 159(b) of the bill amends section 203(g) of the act to
reduce the amount of the penalty imposed (1) for failure by a ben­
eficiary under age 72 (or by a person getting benefits on behalf of a
beneficiary) to report, within the required time, to the Secretary any
month in which he engaged in 7 or more days of noncovered employ­
ment or self-employment outside the United States, and (2) for failure
by a beneficiary entitled to wife's or mother's insurance benefits by
reason of having in her care a child of the worker entitled to child's
insurance benefits to report, within the prescribed time, to the Secre­
tary any month in which she does not have such a child in her care.
Under present law, the penalty for the first failure to report the occur­
rence of either one of these events is 1 month's benefit; for subsequent
failures to report such events, the penalty is an amount equal to the
total amount of the benefits for all the months in which the event oc­
curred but was not reported within the time prescribed. Under the
amendment, the penalty for the first failure to report the occurrence
of either event will continue to be equal to 1 month's benefit; the pen­
alty for the second failure to report will be equal to 2 months' benefits
and the penalty for the third or a subsequent failure to report will be
equal to 3 months' benefits. In no case, however, will the amount of the
penalty for failure to report exceed the total amount of benefits with­
held. For example, if an individual failed on a third occasion to report
an event that he should have reported, but only 1 month's benefit was
involved, the amount of the penalty would be an amount equal to the
benefit for that 1 month.

Effective date

Section 159(c) provides that the amendments made by section 159
are to be effective with respect to penalties imposed on or after the date
of the enactment of the bill.

SECTION 160. LIMITATION ON PAYMENT OF BENEFITS TO ALIENS OUTSIDE
THE UNITED STATES

Length of time an alien is outside the United States

Section 160(a) of the bill amends section (t) (1) of section 202
of the Social Security Act to provide that after an alien has been out­
side the United States for 30 consecutive days he will be deemed to be
outside the United States continuously until he has been in the United
States for 30 consecutive days. (In general, when an alien has been
outside of the United States for a period of 6 months, his benefits are
suspended until he returns to the United States.) The amendment is
effective with respect to 6-month periods which begin after the
month of enactment of the bill.
Exceptions to suspension of benefit payments not to apply in certain cases

Section 160(b) of the bill amends paragraph (4) of section 202(t) of the act to provide that the exceptions to the suspension of benefit payments to aliens who are outside the United States that are based on the worker’s having 40 quarters of coverage or 10 years residence in the United States shall not apply to any alien who is (1) a citizen of a country that has in effect a social insurance or pension system that is of general application and that does not provide benefit payments to otherwise eligible U.S. citizens who are residing outside that country, or (2) a citizen of a foreign country that has no social insurance or pension system of general application if, at any time within five years before the month the bill is enacted or, in the case of an alien whose benefits are not subject to suspension under section 202(t) (1) of the act for such month, within five years before the first month after the month of enactment for which his benefits are subject to such suspension, payment of benefits to individuals in such country is withheld by the Treasury Department under the first sentence of the act of October 9, 1949 (31 U.S.C. 123). The amendment will apply for and after the sixth month following the month in which the bill is enacted.

Limitation on payment of benefits to aliens in certain countries

Section 160(c)(1) of the bill adds a new paragraph (10) to section 202(t) of the act to provide that no monthly social security benefits will be paid for any month beginning after the date of enactment of the bill to an alien who resides in a foreign country if payments to people in that country are withheld by the Treasury Department under the first section of the act of October 9, 1940 (31 U.S.C. 123). That section provides for the Department of the Treasury to withhold checks drawn on the United States to people who are in a country in which there is no reasonable assurance that an individual will receive his check or be able to negotiate it for its full value.

Subsection (c) (2) of section 160 of the bill amends subsection (t) (6) of section 202 of the act to provide that where an alien is residing in a foreign country where benefit payments are withheld by the Treasury Department under the 1940 law in the month preceding the month of his death, no lump-sum death payment may be made on the basis of his earnings record.

Paragraph (3) of section 160(c) of the bill provides that where benefits for months through the month of enactment that have been withheld by the Treasury Department under the 1940 law from an alien subsequently become payable, such benefits shall be paid only to the person from whom they were withheld or, if he has died, to a survivor entitled to a monthly benefit on the same earnings record, and that they shall be paid in an amount not in excess of the equivalent of the last twelve months’ benefits that would have been payable to him.

SECTION 161. RESIDUAL PAYMENTS TO CERTAIN CHILDREN

Section 161(a) of the bill amends section 203(a) of the Social Security Act, relating to maximum family benefits, by (1) restating the present provision that when a reduction is made to take account of the maximum family benefit, the worker’s own benefit is not reduced and
the benefits payable to dependents and survivors are proportionately reduced, and (2) providing that if any benefits are payable to a child who cannot under applicable State law inherit his father's intestate personal property (sec. 216(h)(3)), but who can attain, under section 339(a) of the Social Security Amendments of 1965, the status of a child for social security purposes (such as by reason of acknowledgment or court decree), those benefits will be reduced before any others. Thus, benefits for such children would be "residual"—that is, where the maximum family benefit is involved the child's benefit cannot exceed the difference between the total benefits payable to other members of the family and the maximum benefit payable to the family on the worker's account.

Section 161(b) makes this amendment effective with respect to benefits payable for and after the second month after enactment.

SECTION 162. TRANSFER TO HEALTH INSURANCE BENEFITS ADVISORY COUNCIL OF NATIONAL MEDICAL REVIEW COMMITTEE FUNCTIONS; INCREASE IN COUNCIL'S MEMBERSHIP

Section 162(a) of the bill amends section 1867 of the Social Security Act to provide for increasing the membership of the Health Insurance Benefits Advisory Council from 16 to 19 members, and for increasing from four to five the number of members at whose request it is the duty of the Secretary of Health, Education, and Welfare to call a meeting of the Advisory Council.

Section 1867 as amended includes, as an activity of the Health Insurance Benefits Advisory Council, the study of utilization of hospital and other medical care and services for which payment may be made under the health insurance program (title XVIII of the act) 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 title XVIII program (a function which, under present law, was to have been performed by the National Medical Review Committee). The Advisory Council is given the additional responsibility of making an annual report to the Secretary on its activities, including any recommendations it may have with respect thereto. This report is to be transmitted by the Secretary to the Congress.

Section 1867 as amended also authorizes the Advisory Council to engage such technical assistance as may be required to carry out its functions. In addition, the Secretary is to make available to the Council such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the Advisory Council may require to carry out its functions.

Section 162(b) of the bill provides that the amendment made by section 162(a) with respect to the increase in the Advisory Council membership from 16 to 19 will not affect the terms of office of the members of the Advisory Council in office on the date of enactment of the bill or their successors. The terms of office of the three additional members of the Advisory Council first appointed pursuant to the increase in the membership of such Council provided by such amendment are to expire, as designated by the Secretary at the time
of the appointment, one at the end of the first year, one at the end of
the second year, and one at the end of the third year after the date of
appointment.
Section 162(c) of the bill repeals section 1868 of the act, which pro-
vides for the establishment of a National Medical Review Committee.

SECTION 163. ADVISORY COUNCIL ON SOCIAL SECURITY

Section 163 of the bill amends section 706 of the Social Security
Act, relating to the Advisory Council on Social Security.
Section 163(a)(1) of the bill amends section 706(a) of the act to
provide that an Advisory Council will be appointed in February of
every fourth year beginning in 1969. (Present law requires that an
Advisory Council be appointed during 1968 and every fifth year there-
after.)
Section 163(a)(2) of the bill amends section 706(d) of the act to
require that the Council report no later than January 1 of the year
after it was appointed, rather than January 1 of the second year after
appointment.
Section 163(b) of the bill amends section 706(b) of the act to pro-
vide that each such Council will consist of a chairman and 12 other
persons, all of whom shall be appointed by the Secretary of Health,
Education, and Welfare. (Present law provides that the Commissioner
of Social Security serves as Chairman of the Council.)

SECTION 164. REIMBURSEMENT OF CIVIL SERVICE RETIREMENT ANNUI-
TANTS FOR CERTAIN PREMIUM PAYMENTS UNDER SUPPLEMENTARY
MEDICAL INSURANCE PROGRAM

Section 164 of the bill amends section 1840(e)(1) of the Social Se-
curity Act to permit a plan described in section 8903 of title 5, United
States Code (relating to health benefits plans under the Federal Em-
ployees Health Benefits Act of 1959), to reimburse each annuitant
enrolled in such a plan and also enrolled in the supplementary medical
insurance program in an amount equal to the premiums paid under
the supplementary medical insurance program. Such reimbursement
must be financed from funds other than the contributions made by the
Federal Government and by Federal employees and annuitants under

SECTION 165. APPROPRIATIONS TO SUPPLEMENTARY MEDICAL INSURANCE
TRUST FUND

Section 165(a) of the bill amends section 1844(a) of the Social Secu-
Rity Act to authorize the appropriation from general revenues of funds
sufficient to place the Supplementary Medical Insurance Trust Fund
in the same position at the end of each fiscal year after June 30, 1967,
that it would be in if the Government contribution authorized under
section 1844 were deposited in the trust fund at the same time as the
premiums being matched. Section 165(a) also authorizes the appro-
priation from general revenues of funds sufficient to place the trust
fund in the same position it would be in at the end of any future fiscal
year if that part of the Government contributions due to the trust
Section 165(b) of the bill amends section 1844(b) of the act by extending from December 31, 1967, to December 31, 1969, the date of expiration of the period of availability of the contingency reserve for the medical insurance program.

SECTION 166. DISCLOSURE TO COURTS OF WHEREABOUTS OF CERTAIN INDIVIDUALS

Section 166(a) of the bill amends section 1106(c)(1) of the Social Security Act by adding a new subparagraph (B) requiring the Secretary of Health, Education, and Welfare to furnish the most recent address of an individual (or his most recent employer, or both) to a court having jurisdiction to issue orders against the individual for the support and maintenance of his children if the court certifies that the information is requested for its own use in issuing or determining whether to issue such an order against such individual.

Sections 166(b) and (c) of the bill make conforming changes in the present provisions of section 1106(c) relating to the manner of making a request for information and to the applicability of penalties with respect to misuse of information furnished to a court.

SECTION 167. REPORTS OF BOARDS OF TRUSTEES TO CONGRESS

Section 167(a) of the bill amends sections 201(c)(2), 1817(b)(2), and 1841(b)(2) of the Social Security Act to require the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, the Board of Trustees of the Federal Hospital Insurance Trust Fund, and the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund to submit their reports on the status of each of these funds for the preceding fiscal year by April 1. These sections now require the report to be submitted by March 1.

Section 167(b) of the bill adds to section 201(c) of the act an additional requirement that the report on the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund include an actuarial analysis of the costs to the Federal Old-Age and Survivors Insurance Trust Fund of the payment of benefits to disabled beneficiaries.

SECTION 168. GENERAL SAVINGS PROVISION

Section 168 of the bill adds a general savings clause, applicable in certain cases where a person who is made eligible for benefits by the bill becomes entitled to benefits for the second month after the month in which the bill is enacted.

Under section 168(a) of the bill the savings clause applies to any person (or persons) entitled to benefits for the "effective month" (defined in section 168(b) as the first month after the month in which the bill is enacted) on the basis of an application filed no later than the effective month. If another member of the person's family who was made eligible for benefits by the bill becomes entitled to benefits for
the month after the effective month, then each member of the family who was entitled to benefits for the effective month will get the same benefit amount that he would have gotten if the newly eligible person had not become entitled to benefits, in spite of the provisions of the law (sec. 203(a)) for limiting the total amount of benefits payable to a family. The benefit amount of the newly entitled person would be determined without regard to the general savings clause.

The following example illustrates how the savings clause will operate: Assume that a man died in 1966, leaving a widow and their twin children eligible for benefits, and a stepchild who was not eligible for benefits on the earnings record of the deceased worker because the step-relationship had lasted only 11 months before the stepfather died. The widow and her twin children get benefits that are limited by the family maximum to $91.20 each—a total of $273.60 for the family. After enactment of the bill, the widow and two children have their benefit amounts increased by 12 1/2 percent, from $91.20 to $102.60 each, and the family maximum becomes $307.80. The stepchild is made eligible for benefits by section 154 of the bill, which would reduce the 1-year duration-of-relationship requirement to 9 months, and becomes entitled to benefits as of the effective month of the bill. Without the general savings clause, the stepchild would merely share in the $307.80 payable to the family—the four beneficiaries would get $77.00 each. Under the savings clause, though, the widow and the two children who were getting benefits before the enactment of the bill will continue to get $102.60 each and the stepchild will be paid the $77.00 that he would have been paid without regard to the general savings clause; thus, the family will get total benefits of $384.80 a month, rather than $307.80.

TITLE II—PUBLIC WELFARE AMENDMENTS

PART 1—PUBLIC ASSISTANCE AMENDMENTS

SECTION 201. PROGRAMS OF SERVICES FURNISHED TO FAMILIES WITH DEPENDENT CHILDREN

Section 201(a)(1) of the bill amends section 402(a) of the Social Security Act (as amended by sec. 202(a) of this bill) by striking out of part of clause (14) of such section 402(a) and by adding thereto four clauses (clauses (15) through (18)) imposing new requirements for a State plan for the dependent children program.

Clause (15) requires such a plan to provide (1) for the development of a program for each appropriate relative and child recipient and each appropriate individual living in the home whose needs are taken into account in determining eligibility for and the amount of the assistance payments with the objective of assuring, to the maximum extent possible, that such persons will become self-sufficient wage earners, and of preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life; (2) for the implementation of such programs by assuring that the employment potential of such persons is evaluated, they are furnished such services as child-care services and testing, counseling, basic education, vocational training, and special job development to assist them in securing and retain-
ing employment or in raising the level of their skills, and in all appropriate cases family planning services are offered to them, and when appropriate that protective or vendor payments authorized under section 406(b) (2) of the act are provided; (3) for review as necessary of each program (as often as necessary but at least once a year) to insure its effective implementation; (4) for furnishing the Secretary with reports of the results of the programs; and (5) to the extent that such programs are developed and implemented by services furnished by the staff of the State or local agency administering the State plan, for the establishment of a single organizational unit in the agency responsible for furnishing the services.

Clause (16) requires the State plan to provide that where the State agency has reason to believe that the home is unsuitable for a recipient child residing therein because of the neglect, abuse, or exploitation of the child this condition (and data the agency has about the situation) will be brought to the attention of the appropriate court or law enforcement agency.

Clause (17) requires the plan to provide (1) for the development and implementation of a program by the agency for establishing the paternity of a child recipient born out of wedlock and securing support for him, and for securing support for a child recipient deserted or abandoned by his parent from such parent (or another person legally liable for such support), utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support, and (2) for the establishment of a single organizational unit in the State or local agency administering the State plan which is to be responsible for the administration of such program for the support of such child recipients.

Clause (18) requires the plan to provide for entering into cooperative arrangements with appropriate courts and law enforcement officials (1) to assist the State agency in administering its program referred to in clause (17) for obtaining support for child recipients, including entering into financial arrangements with such courts and officials to assure optimum results under this program, and (2) with respect to any other matters of concern common to such courts or officials and the agency.

Section 201 (b) of the bill adds a new subsection (c) to section 402 of the act. This subsection provides that on the basis of his review of reports received from the States as provided for under new clause (15) of section 402 (a) (as added by sec. 201 (a) (1) of the bill) the Secretary is to compile the necessary data and from time to time publish his findings as to the effectiveness of the State programs undertaken pursuant to such clause. The Secretary will also report annually with respect to such programs to the Congress (with the first report due by July 1, 1970).

Section 201 (c) of the bill strikes out subparagraphs (A) and (B) of section 403 (a) (3) of the act and inserts a new subparagraph (A) relating to Federal participation in certain administrative costs. The Federal share is 75 percent of such costs as are for (1) the services directed toward self-sufficiency of individuals through employment and family planning services which are furnished to recipients and certain other individuals in accordance with clause (15) of section
Section 201(a) of the act (as added by sec. 201(a) (1) of the bill); (2) any of the services specified in or under section 403(c) of the act (as amended by section 201(e) (1) of the bill), such as child-welfare services, family services, and other services to families, provided to applicants, recipients and certain other individuals; (3) any of the above services provided to a child who is an applicant for aid, or is a former or potential applicant or recipient, and certain other individuals living in the same home with the child; and (4) the training of personnel employed or preparing for employment with the State or local agency.

Section 201(d) of the bill makes certain technical changes and adds a provision within section 403(a) (3) of the act that, to the extent specified by the Secretary, child-welfare services, family planning services, and family services may be obtained by the agency from sources other than those State agencies specified in or under section 403(a) (3) (D) and (E) of the act.

Section 201(e) of the bill substitutes new matter for the existing provisions of subsection (c) of section 403 of the act. This amendment provides that for purposes of determining the Federal share under section 403(a) of the act, the services referred to as specified in or under section 403(a) (3) (A) (ii) and (iii) of the act (as amended by sec. 201(c) of the bill) shall include child-welfare services, family services, and other services (specified by the Secretary), to maintain and strengthen family life, and to help toward self-support or self-care relatives with whom children are living and certain other individuals (living in the same home as a relative and child). A State may qualify for payments at 75 percent for the costs of the services identified above only if its State plan approved under section 402 of the act provides that such services are to be furnished by the staff of the agency administering the plan through the single organizational unit (referred to in sec. 420(a) (15) (E) of the act, as added by sec. 201(a) (1) of the bill) responsible for furnishing such services. Section 201(e) of the bill also makes certain technical changes in, and repeals section 403(a) (4) of the act.

Section 201(f) of the bill adds to section 406 of the act a new subsection (d) defining the term "family services."

Section 201(g) (1) of the bill provides that the new requirements for approval of a State plan under section 402 of the act (added by sec. 201(a) of the bill) becomes effective October 1, 1967, except that a State has until July 1, 1969, to modify such plan so as to be in compliance with the additional requirements.

Section 201(g) (2) of the bill provides that the amendments made by section 201(c), (d), and (e) of the bill will be applicable in the case of any State, with respect to services and training furnished, on or after the date as of which the modification of the State plan to comply with the new requirements under section 402(a) of the act (added by sec. 201(a) (1) of the bill) is approved.

Section 201(h) of the bill provides that, notwithstanding section 403 (a) (3) (A) of the act (as amended by sec. 201(c) of the bill), the rate specified therein shall be 85 percent (rather than 75 percent) with respect to expenditures, for services furnished by a State pursuant to section 402(a) (15) of the act (as added by sec. 201(a) (1) of the bill), made during the period beginning October 1, 1967, and ending with the close of June 30, 1969.
Section 202 of the Social Security Amendments of 1967.

Section 202(a) of the bill redesignates clauses (8) through (13) of section 402(a) of the Social Security Act as clauses (9) through (14).

Section 202(b) of the bill strikes out clause (7) of such section 402(a) and inserts, effective July 1, 1969, clauses (7) and (8) changing requirements for a State plan for dependent children with respect to the determination of need. The new clause (7) (which makes no change in present law) provides that, with the exceptions set forth in the new clause (8), the State agency shall, in determining need, take into account any other income and resources of any child or relative claiming aid under the plan, or that of any other individual living in the same home whose needs the State takes into account in determining whether such child or relative is needy, as well as any expenses reasonably attributable to the earning of such income.

The new clause (8) requires a State plan to provide that, in making the determination under the new clause (7), the State agency shall with respect to any month disregard all of the earnings of each child receiving aid for any month in which he is under age 16, or (if he is age 16 or over but under age 21) is a full-time student attending a school, college, or university, or a vocational or technical training course designed to fit him for gainful employment.

In addition, it provides that in the case of earnings of a dependent child not included in the previous paragraph, a relative receiving aid, and any other individual (living in the same home as such relative and child) whose needs are considered in making such determination, the State agency shall disregard the first $30 of the total earned income of such persons for such month plus one-third of the remainder thereof. This clause also incorporates present provisions of law under which a State agency may, subject to limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child, and may, before disregarding any of the preceding amounts, disregard not more than $5 of any income. The clause further provides that, with respect to any month, the State agency shall not disregard any earned income of any one of the persons specified above (other than children under age 16 or those in school) if such person left work or reduced his earnings without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary, or refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept work he is able to perform which is offered under certain conditions; nor shall the State agency disregard the earned income of any of such persons for a month if with respect to such month the income of such persons exceeded their need as determined by the agency pursuant to clause (7) (without regard to clause (8)), unless, for any one of the preceding 4 months, the needs of such persons were met by aid furnished under the plan.

Section 202(c) of the bill provides that a State with a plan approved under section 402 of the act will not be deemed to have failed to comply substantially with the requirements of section 402(a)(7) of the act (as in effect prior to July 1, 1969) for any period beginning after September 30, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income in accordance with
the requirements of section 402(a) (7) and (8) of the act as amended by section 202 of the bill.

Section 202(d) of the bill provides that, in determining the need of a claimant of aid under a State plan approved under section 402 of the act which provides for such a determination in accordance with section 402(a) (7) and (8) of such act (as amended by sec. 202 of the bill), the State shall apply section 402(a) (7) and (8) notwithstanding any provision of law (other than the Social Security Act) requiring the State to disregard earned income of such claimant.

SECTION 203. DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

Section 203(a) of the bill amends in its entirety section 407 of the Social Security Act, which now provides for aid to families with dependent children with respect to a needy child who is deprived of parental support or care because of the unemployment (as defined by the State) of a parent and who meets certain other eligibility conditions.

The new section 407(a) of the act redefines a "dependent child" for purposes of such section 407 as one whose deprivation results from the unemployment (as determined in accordance with standards prescribed by the Secretary) of his father and who meets the other eligibility conditions.

The new section 407(b) of the act applies the above definition to a State if its plan approved under section 402 of the act—

(1) Requires the payment of aid with respect to a child within such definition when his father has been unemployed for a minimum period of 30 days before receipt of aid, has not without good cause within such period refused a bona fide offer of employment or training, and has at least six quarters of work (as defined in sec. 407(d)(1)) in a 13-calendar quarter period ending within 1 year before the application for aid or, within such 1-year period, received unemployment compensation under any State or Federal program or was qualified (within the meaning of sec. 407(d)(3)) under the unemployment compensation program of the State for such compensation; and

(2) Provides for the establishment of a work and training program under section 409 of the act and for assurances that fathers of children within the above definition are assigned to projects under such program within 30 days after receiving aid; for utilization of the services and facilities of State public employment offices to assist such fathers to secure employment or occupational training, including registration and periodic reregistration of such fathers; for cooperative arrangements with the State vocational education agency to encourage retraining; and for denial of aid if and for as long as such a father fails to register, refuses without good cause to participate in a work and training program under such section 409, refuses without good cause to accept employment in which he is able to engage (which is offered to him from certain sources), refuses without good cause to undergo retraining under the vocational education program, or receives unemployment compensation.

The new section 407(c) of the act provides that, notwithstanding other provisions of the section, Federal sharing in expenditures pur-
suant to the section will not be available where such expenditures are made, with respect to a child within the above definition, for any part of the 30-day period referred to in section 407(b)(1)(A) or for any period before his father meets the conditions of section 407(b)(1)(B) and (C), and will not be available if and for as long as such father is not assigned (within 30 days after receiving aid) to a project under a work and training program under section 409 of the act unless the public assistance agency determines that such assignment would be detrimental to his health or that no such project is available.

The new section 407(d)(1) of the act defines a "quarter of work" as a calendar quarter in which the father received at least $50 of earned income (or which is a "quarter of coverage" for purposes of the old-age, survivors, and disability insurance program under title II of the act), or in which he participated in a community work and training program under section 409 of the act or any other work and training program subject to the limitations in such section 409.

The new section 407(d)(3) of the act provides that the father shall be deemed qualified for unemployment compensation under the State's unemployment compensation law if he would have been eligible therefor upon application, or if he had been in uncovered work which, had it been covered, would (with his covered work) have made him eligible for such compensation upon application.

Section 203(b) of the bill provides that in the case of an application for aid for a dependent child (who is within sec. 407(a) of the act as amended by sec. 203(a) of the bill) made within 6 months after the effective date of the modification of the State plan to provide for an unemployed fathers program, the father of such child shall be deemed to meet the requirements in section 407(b)(1)(C) of the act (as amended by sec. 203(a) of the bill) of at least six "quarters of work" if at any time after April 1961 and prior to application he met those requirements. For these purposes, a recipient of aid (under sec. 407 of the act in effect before the bill is enacted) for the last month ending before the effective date of the modification referred to above will be deemed to have applied for such aid under section 407 of the act (as amended by sec. 203 of the bill) on the day after such effective date.

Section 203(c) of the bill provides that section 407 of the act (as amended by sec. 203(a) of the bill) will be effective October 1, 1967, but (1) no State which had in operation an approved unemployed parents program under section 407 of the act (as in effect before enactment of sec. 203(a) of the bill) in the calendar quarter commencing July 1, 1967, will be required before July 1, 1967, to include any additional child or family under its approved plan for dependent children by reason of the enactment of section 203(a) of the bill; and (2) no such State will be required to deny aid to any individual because such plan does not establish a community work and training program in accordance with section 409 of the act prior to July 1, 1969.

SECTION 204. COMMUNITY WORK AND TRAINING PROGRAMS

Section 204(a) of the bill amends section 409 of the Social Security Act in its entirety. As amended, section 409 will authorize Federal financial participation in certain expenditures related to work per-
formed by certain children and relatives receiving aid to families with dependent children and certain other individuals (living in the same home as such recipients) whose needs are taken into account in making the determination under section 402(a) (7) of the act. Under such section 408, expenditures (other than for medical or remedial care) are aid to families with dependent children (as defined in sec. 406(b) of such act) where they are made under a State plan approved under section 402 of the act in the form of payments for work performed by such a child, relative, or other individual if—

(1) The child, relative, or other individual has attained age 16;
(2) The work is performed under a work and training program of the State agency which such agency or another public or non-profit agency maintains and operates to prepare individuals for, or restore them to, employability,
(3) There is State financial participation in the expenditures;
(4) The State plan provisions provide reasonable assurance that—

(A) The work and training program conforms to standards prescribed by the Secretary;
(B) It is in effect in those political subdivisions containing a significant number of recipients of aid under the plan who have attained age 16;
(C) (i) There is an evaluation of the vocational needs and potential of each appropriate child and each relative (who is an applicant for or recipient of aid under the plan), and of each other appropriate individual (living in the same home as such a recipient) whose needs are considered in making the determination under section 402(a) (7) of the act, and (ii) the program is made available to any such person who has the capability for employment;
(D) Appropriate standards for health, safety, and other conditions applicable to such work are established and maintained (except that this condition will be deemed to be satisfied if State law establishes health and safety standards which are applicable to such work);
(E) The rates of pay will be not less than the applicable minimum rate (if any) under Federal or State law for the same type of work and not less than the prevailing rate for similar work in the community (except that payments for work by individuals considered under such law to be learners or handicapped persons may be at any special minimum rates that are in accord with such law);
(F) The work is performed on projects serving a useful public purpose and will not cause displacement of regular workers, with provision in appropriate cases for the performance of such work (under an agreement by the agency administering the State plan) for governmental agencies or private employers;
(G) The additional expenses reasonably attributable to the work will be considered in determining the worker’s needs;
(H) Any such child, relative, or other individual will have reasonable opportunities to seek regular employment and to secure other appropriate training that is available; and
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(1) Such persons will, with respect to the work so performed, be provided coverage under the State workmen's compensation law or similar protection; and

(5) The State plan includes provision—

(A) For cooperative arrangements with the State public employment offices under which they will assist such persons who work under the program to secure employment or occupational training, including appropriate provision for their registration and for maximum utilization of all the services and facilities of such offices;

(B) That the services and facilities under title II of the Manpower Development and Training Act of 1962 and under any other Federal and State programs for manpower training, retraining, and work experience shall, to the extent available, be utilized for persons accepted for participation under the community work and training program;

(C) For entering into cooperative arrangements with Federal and State agencies responsible for vocational education and adult education in the State, designed to assure maximum utilization of such programs in the training and preparation for regular employment of persons working under the community work and training program;

(D) For assuring appropriate arrangements for the care and protection of children during the absence from the home of any such relative participating in the program; and

(E) That there will be no adjustment or recovery by the State or any locality on account of any payments which are correctly made for such work.

Section 204(b) of the bill amends section 402(a) of the act by adding thereto three clauses (clauses (19) through (21)) imposing new requirements for a State plan for the aid to families with dependent children program.

The new clause (19) requires such a plan to include provisions to assure that all appropriate recipients of such aid, and other appropriate individuals (living in the same home as such recipients) whose needs are considered in making the determination under clause (7) of such section 402(a), register and periodically reregister with the State public employment offices.

The new clause (20) requires such a plan to provide that (1) if and for as long as any appropriate child or relative who is a recipient refuses without good cause to register or reregister, to accept bona fide offers of employment in which he is able to engage, or to participate in a work and training program under section 409 of the act or undergo any other training for employment, (a) in the case of refusal by the relative, his needs shall not be considered in making the determination under section 402(a) (7) of the act, and aid will be denied for any dependent child in the family other than payments described in section 406(b)(2) of the act (which may be made in such case without regard to some of the conditions set forth therein) or aid in the form of foster care under section 408 of the act, (b) in the case of refusal by a child who is the only child recipient in the family, no aid will be furnished the family, and (c) if more than one child in the
family is a recipient, aid will be denied for any child who makes such refusal; and (2) if and for as long as any such other appropriate individual makes such refusal, his needs shall not be considered in making the determination under section 402(a) (7) of the act.

Under the new clause (21), such a plan must, effective July 1, 1969, provide for a work and training program meeting the requirements of section 409 of the act (as amended by section 204(a) of the bill) for the appropriate recipients of aid and the other appropriate individuals described in such section 409, with the objective of benefiting the maximum number of such persons, and provide for expenditures in the form of payments described in such section 409.

Section 204(c) of the bill amends section 403(a) (3) of the act (as amended by section 201(c) of the bill) by adding a new subparagraph (B) relating to Federal participation in certain costs connected with activities under a work and training program pursuant to section 409 of the act. The Federal share is 75 percent of such costs of such a program as are for (1) training, supervision, materials, and other items authorized by the Secretary, and (2) other services specified by the Secretary which are related to the purposes of such a program and are provided to participants.

Section 204(d) of the bill further amends section 408(a) of the act to provide that, for purposes of the amendment made by section 204(c) of the bill, subject to limitations by the Secretary, the services and items referred to in such amendment may be furnished, pursuant to agreement entered into by the agency administering the State plan, by any employing entity equipped to furnish them.

Section 204(e) of the bill provides that, notwithstanding section 403(a) (3) (B) of the act (as added by section 204(c) of the bill), the rate specified therein shall be 85 percent (rather than 75 percent) with respect to expenditures by a State, for services and training, made during the period beginning October 1, 1967, and ending with the close of June 30, 1969.

Section 204(f) (1) of the bill amends title III of the act by adding thereto a new section 304 relating to services furnished by State public employment offices. The Secretary of Health, Education, and Welfare will enter into cooperative agreements with the Secretary of Labor for the provision through such offices of services specified by the Secretary of Health, Education, and Welfare as necessary to assure that recipients of or applicants for aid to families with dependent children under a State plan approved under section 402 of the act (1) are registered and periodically reregistered at such offices, (2) are receiving testing and counseling services and such other services as are made available by such offices to individuals to assist them in securing and retaining employment, and (3) are, in appropriate cases, referred to employers who request such offices to furnish applicants for job placement. The State agency responsible for the State plan will pay the Secretary of Labor (as expenses subject to 75 percent Federal participation pursuant to sec. 408(a) (3) (B) of the act, as added by sec. 204(c) of the bill) for any costs incurred in providing the services described in item (2) above with respect to individuals who receive or apply for aid (or whose needs are considered) under such State plan.
Section 204(f) (2) of the bill amends section 402(a) of the act by adding thereto clause (22) imposing a requirement that a State plan for dependent children must provide for payment to the Secretary of Labor for any costs incurred in providing the services described in clause (2) of section 304 of the act (as added by sec. 204(f) (1) of the bill) with respect to individuals receiving or applying for aid (or whose needs are considered) under such plan.

Section 204(g) of the bill provides that the amendments made by subsections (a), (b), and (f) (2) of section 204 will be effective on July 1, 1969, or, if earlier (in the case of any State), on the date as of which the modification of the State plan to comply with such amendments is approved. It further provides that the new clauses (19) and (20) as added to section 402(a) of the act by section 204(b) of the bill will take effect April 1, 1968.

SECTION 205. FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

Section 205(a) of the bill adds to section 402(a) of the Social Security Act a new requirement that a State plan must, effective July 1, 1969, provide for aid to families with dependent children in the form of foster care in accordance with section 408 of the act.

Section 205(b) of the bill amends section 403(a) (1) (B) of the act by increasing the maximum average amount per month in which the Federal Government will share in expenditures for aid to families with dependent children in the form of foster care for such month. (Under present law such maximum is $32 per month for all recipients of aid to families with dependent children in any form.)

Section 205(c) of the bill amends section 408(a) of the act so as to extend aid to families with dependent children in the form of foster care to additional children. Under the proposed amendment, aid in such form will be available to a child who meets the conditions in clauses (1), (2), and (3) of such section 408(a) and who, although he did not receive aid to families with dependent children in or for the month in which court proceedings leading to his removal from his home were initiated as required in present clause (4) of such section 408(a), would have received such aid in or for such month upon application therefor, or, if he had lived with a relative specified in section 406(a) of such act within 6 months before the month in which such proceedings were initiated, would upon application have received such aid in or for such month if in that month he had been living with (and removed from the home of) such a relative.

Section 205(d) of the bill makes permanent the provision in section 408(a) (2) (B) of the act that the condition regarding responsibility for placement and care of the child is met where such responsibility, even though it is not in the State or local agency administering the State plan approved under section 402 of the act, is in another public agency and such other agency meets certain conditions. Section 205(d) of the bill also makes permanent the provision in section 408(a) (3) of the act under which a child who has been placed in a child-care institution, and who meets the other conditions of eligibility, is considered a dependent child for purposes of aid to families with dependent children in the form of foster care.
Section 205(e) of the bill provides that the amendments made by subsections (b) and (c) will be applicable only with respect to foster care provided after September 1967.

SECTION 206. EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH DEPENDENT CHILDREN

Section 206(a) of the bill amends section 403(a) of the Social Security Act (as amended by sec. 201(e) of the bill) so as to provide for Federal participation in expenditures for “emergency assistance to needy families with children” under the State plan approved under section 402 of the act. The Federal share will be 50 percent of the total expenditures under such plan for such assistance in the form of payments or care and 75 percent of the total expenditures for such assistance in the form of services.

Section 206(b) of the bill adds a new subsection (e) to section 406 of the act (as amended by sec. 201(f) of the bill). Under the new subsection (e), “emergency assistance to needy families with children” is defined to mean, but only with respect to a State whose State plan approved under section 402 of such act provides for furnishing such assistance, (1) money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical or remedial care recognized under State law on behalf of, an eligible child or any other member of household in which such child is living, and (2) such services as the Secretary may specify. Emergency assistance may be given for a period not in excess of 30 days in any 12-month period in the case of a needy child under age 21 who is (or, within a period specified by the Secretary, has been) living with any of the relatives specified in section 406(a)(1) of the act in a place of residence maintained by such a relative as his home, but only where such child is without available resources and the payments, care, or services involved are necessary to avoid destitution of the child or to provide suitable living arrangements in a home for such a child.

SECTION 207. PROTECTIVE PAYMENTS AND VENDOR PAYMENTS WITH RESPECT TO DEPENDENT CHILDREN

Sections 207(a)(1) and (2) and 207(c) of the bill amend and make permanent the protective payments provisions in section 406(b)(2) of the Social Security Act. As amended, section 406(b)(2) (in addition to continuing the authority for Federal sharing, where certain conditions are met, in protective payments made to an individual interested in or concerned with the welfare of the family with dependent children) will authorize Federal participation, where the same conditions are met, in payments made on behalf of such family directly to a person furnishing food, living accommodations, or other goods, services, or items to or for such family. This amendment also deletes the requirement in present law that the State provide for meeting all of the need of individuals for whom protective or vendor payments are made.

Section 207(a)(3) of the bill further amends section 406(b) of the act by providing that, in the case of a refusal to take certain steps leading to self-sufficiency through employment (as described in section
402(a)(20) of the act as amended by section 204(b) of the bill, protective payments and vendor payments which are made under section 406(b)(2) of the act (as amended by section 207(a) of the bill) without regard to the specified conditions therein shall be included as assistance expenditures.

Section 207(b) of the bill removes, by striking out the last sentence of section 403(a) of the act, the 5-percent limitation on the number of recipients with respect to whom protective payments may be made with Federal participation.

SECTION 208. LIMITATION ON NUMBER OF CHILDREN WITH RESPECT TO WHOM FEDERAL PAYMENTS MAY BE MADE

Section 208 of the bill makes a technical change in subsection (a) of section 403 of the Social Security Act and further amends such section by adding thereto a new subsection (d) to limit Federal payments to States. The new subsection (d) provides that, notwithstanding any other provision of the act, the number of dependent children, deprived of parental support or care by reason of a parent's continued absence from the home, with respect to whom payments under section 403 may be made to a State for any calendar quarter after 1967 shall not exceed the number bearing the same ratio to the total population of such State under age 21 on January 1 of the year in which such quarter falls as the number of such dependent children with respect to whom such payments were made to such State for the calendar quarter beginning January 1, 1967, bore to the total population of such State under age 21 on that date.

SECTION 209. FEDERAL PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

Section 209(a) of the bill adds a new section 1119 to the Social Security Act. Such section 1119 provides that where an expenditure is made for repairing the home owned by a recipient of old-age assistance, aid to the blind, aid to the permanently and totally disabled, or aid to the aged, blind, or disabled under a State plan approved under title I, X, XIV, or XVI of the act, the Federal payment to the State under section 3(a), 1003(a), 1403(a), or 1603(a) of such act for any quarter will be increased by 50 percent of such expenditures, except that amounts in excess of $500 for any one home shall be excluded in determining such expenditures. In order to claim the Federal share of such expenditures, the public assistance agency is required to make a finding (prior to making the expenditure) that the home is so defective that continued occupancy is unwarranted, that unless repairs are made rental quarters will be necessary for the recipient, and that the cost of rental quarters needed for the individual (including his spouse living with him in the home and any other person whose needs are taken into account in determining the recipient's need) will exceed (over such time as the Secretary may specify) the cost of repairs necessary to make the home habitable and other costs attributable to its continued occupancy. It is also required that there had been no expenditures for repairing the home pursuant to any prior finding under this provision.
Subsection (b) makes this amendment applicable with respect to expenditures made after September 30, 1967.

PART 2—Medical Assistance Amendments

SECTION 220. LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

Section 220(a) of the bill amends section 1903 of the Social Security Act by adding a new subsection (f) which prohibits payment of the Federal share, as determined under such section 1903, with respect to any medical assistance expenditure by a State for any member of a family which has annual income in excess of the applicable income limitation determined under paragraph (1) of such subsection (f).

Paragraph (1) (B) (i) of the new subsection (f) provides that, with two exceptions, the applicable income limitation with respect to any family is the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 133 1/3 percent of the highest amount of aid to families with dependent children in the form of money payments under the State's public assistance plan under part A of title IV of the act which would ordinarily be paid to a family of the same size without any income or resources. One exception, set forth in paragraph (1) (B) (ii), authorizes the Secretary, where the operation of a uniform maximum limits payments to families of more than one size, to adjust the income limitation amount to take account of families of different sizes. The other exception, set forth in paragraph (1) (C), provides that if 133 1/3 percent of the average per capita income of the State for the calendar quarter is less, by any percentage, than the income limitation amount for a family of four determined under paragraph (1) (B), the applicable income limitation for such a family shall be 133 1/3 percent of such average per capita income and the applicable income limitation as otherwise determined under such paragraph (1) (B) for a family of any other size shall be reduced by the same percentage. Paragraph (1) (D) requires the total amount of any applicable income limitation which is not a multiple of $100 or such other amount as the Secretary may prescribe to be rounded to the next higher multiple of $100 or of the amount prescribed, as the case may be.

Subsection (f) (2) provides that the computation of a family's income for purposes of subsection (f) (1) shall exclude any costs (by way of insurance premiums or otherwise) incurred by such family for medical care or remedial care recognized under State law.

Subsection (f) (3) provides that for purposes of subsection (f) (1) (B), in the case of a one-member family, the "highest amount which would ordinarily be paid" to such family shall be the amount determined by the State agency (based on reasonable relationship to the amounts payable under its public assistance plan under part A of title IV of the act to families of two or more persons) to be the amount of aid in the form of money payments which the State would ordinarily pay to a one-member family (without any income or resources) if such plan (without regard to its provisions for foster care pursuant to section 408 of the act) provided such aid to such a family.
Subsection (f) (4) provides that the per capita income of each State, for purposes of subsection (f) (1) (C), is to be promulgated annually between July 1 and August 31 by the Secretary on the basis of the most recent calendar year for which satisfactory data are available from the Department of Commerce and such promulgation will be conclusive for each quarter of the first calendar year after the promulgation; except that the promulgation effective for calendar year 1968 will be made as soon as possible after enactment of the bill.

Section 220(b) (1) of the bill provides that, in the case of any State whose plan for medical assistance is approved by the Secretary under section 1902 of the act after July 25, 1967, the amendments made by section 220(a) of the bill will be applicable with respect to calendar quarters beginning after enactment of the bill. Section 220(b) (2) of the bill provides that, in the case of any State whose plan for medical assistance was approved before July 26, 1967, the amendments made by section 220(a) of the bill will apply with respect to calendar quarters beginning after June 30, 1968, except that (1) with respect to the third and fourth calendar quarters of 1968, determinations of the applicable income limitation pursuant to subsection (f) (1) (C) of section 1903 of the act (as added by sec. 220(a) of the bill) will be based on 150 percent, rather than 133 1/3 percent, of the average per capita income of the State, and (2) with respect to all quarters during 1969, the applicable percentage will be 140 percent instead of 133 1/3 percent.

SECTION 221. MAINTENANCE OF STATE EFFORT

Section 221(a) of the bill amends section 1117(a) of the Social Security Act (1) to provide States the option, for any fiscal year ending on or after June 30, 1967, and before July 1, 1969, to have the “maintenance of State effort” requirements of section 1117 of the act applied on a fiscal year basis rather than on a quarterly basis, and (2) to provide, if a State exercises this option, that it will have to choose, as the base period against which its effort is to be measured, either the fiscal year ending June 30, 1965, or the fiscal year ending June 30, 1964. (Subsec. (b) and (c) of such sec. 1117 (relating to the manner of determining expenditures and reductions) would also be applied on a fiscal year basis to that State.)

Section 221(b) of the bill adds to section 1117 of the act a new subsection (d) allowing any State at its option, for the quarters in any fiscal year ending before July 1, 1969, to have the reduction (if any) of the Federal share due to the application of the “maintenance of State effort” requirements determined—

(1) On the basis of aid or assistance in the form of money payments alone under its public assistance plans approved under titles I, IV, X, XIV, and XVI of the act rather than, as currently required, by taking into account, in addition to such money payments, all aid or assistance in the form of medical vendor payments under such plans or medical assistance payments under its approved title XIX plan;

(2) On the basis of expenditures for child-welfare services under sections 523 and 422 of the act in conjunction with money payments, medical vendor payments, and medical assistance payments under all of its approved public assistance plans; or
On the basis of expenditures for child-welfare services under such sections 523 and 422 in conjunction with aid or assistance in the form of money payments alone under its approved public assistance plans.

SECTION 222. COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Subsections (a) and (b) of section 222 of the bill amend section 1843 of the Social Security Act, which provides for agreements between States and the Secretary of Health, Education, and Welfare for the enrollment under the supplementary medical insurance program (established under part B of title XVIII of the act) of individuals eligible therefor who are receiving money payments under approved public assistance plans, so as to permit a State to include in an agreement under section 1843 (or modify its existing agreement under such section to include), on substantially the same conditions as money payment recipients except for a 2-month waiting period, aged individuals who are eligible to receive medical assistance under the State's plan approved under title XIX of the act.

Subsections (c) and (d) of section 222 of the bill amend section 1903 of the act to prohibit, with respect to quarters beginning after 1967, Federal financial participation under a State plan approved under title XIX of the act, with respect to medical assistance expenditures which would have been paid under the supplementary medical insurance program if the individuals involved had been enrolled in that program or in expenditures for other health insurance premiums for individuals who are not enrolled under that program. (These amendments would not change the equal matching of supplementary medical insurance premiums from general funds as presently provided under sec. 1844 of the act, or affect Federal financial participation in expenditures for such premiums for money payment recipients.)

Subsection (e) of section 222 of the bill amends section 1843(a) of the act, which requires that the buy-in agreement be requested by the State before 1968, to allow the State to request the agreement before 1970. It also amends section 1843 (c) and (d) of the act to permit a State to provide coverage for an individual under the supplementary medical insurance program through the buy-in agreement regardless of when the individual becomes eligible for coverage through such agreement, instead of only if he becomes eligible for such coverage before 1968 as provided by existing law.

SECTION 223. MODIFICATION OF COMPARABILITY PROVISIONS

Section 223(a) of the bill amends section 1902(a)(10) of the Social Security Act to provide exceptions to the requirement for comparability of treatment of individuals with respect to medical assistance made available by a State under its plan approved under title XIX of the act. Under the amendment, the fact that the State (1) makes available to individuals age 65 or older the benefits of the supplementary medical insurance program under part B of title XVIII of the
act (either pursuant to a "buy-in" agreement under sec. 1843 or by State payment of the premiums due under such part B on their behalf), or (2) provides for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under such part B for individuals eligible for supplementary medical insurance benefits, does not require the State to make available any such benefits, or services of the same amount, duration, and scope, to any other individuals.

Subsection (b) makes this amendment applicable with respect to calendar quarters beginning after June 30, 1967.

SECTION 224. REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PLAN

Section 224 of the bill amends section 1902(a)(13)(A) of the Social Security Act which currently requires, as a condition for approval of a State plan for medical assistance, that the plan provide for inclusion of at least the first five items of medical care and services listed in section 1905(a) of the act. Under this amendment, the State has the option to include in its plan at least the care and services listed in such first five items or at least any seven of the first 14 items of care and services listed in section 1905(a) of the act.

SECTION 225. EXTENT OF FEDERAL FINANCIAL PARTICIPATION IN CERTAIN ADMINISTRATIVE EXPENSES

Section 225(a) of the bill amends section 1903(a)(2) of the Social Security Act to authorize 75-percent Federal financial participation in expenses attributable to the compensation or training of skilled medical personnel and directly supporting staff engaged in the administration of an approved title XIX plan without regard to whether such personnel are employees of the single State agency responsible for administration of the plan or of some other public agency participating in the administration of the plan.

Subsection (b) makes this amendment applicable with respect to expenditures made after December 31, 1967.

SECTION 226. ADVISORY COUNCIL ON MEDICAL ASSISTANCE

Section 226 of the bill adds to title XIX of the Social Security Act a new section 1906 providing for the establishment of a Medical Assistance Advisory Council of 21 members, appointed by the Secretary without regard to the civil-service laws, to advise the Secretary on matters of general policy in the administration of medical assistance (including the relationship of titles XIX and XVIII) and make recommendations for improvements in such administration. Such members, who hold office for a term of 4 years on a rotating basis, will include representatives of State and local agencies and other groups concerned with health, and consumers of health services, with a majority of the membership consisting of representatives of consumers. The Secretary may also appoint special advisory professional or technical committees. Members of the Advisory Council and of such special committees are entitled to compensation at rates not exceeding $100 per day, including travel time, plus travel expenses and per diem in lieu of subsistence. The Advisory Council will hold meetings as fre-
Social Security Amendments of 1967

Section 227. Free Choice by Individual Eligible for Medical Assistance

Section 227(a) of the bill adds to section 1902(a) of the Social Security Act a new requirement that a State plan for medical assistance must provide that any individual eligible for such assistance is free to choose to obtain the services he requires from any institution, agency, or person qualified to perform the required services (including a pre-payment plan which provides such services or arranges for their availability) and which undertakes to provide such services to him.

Subsection (b) makes this amendment applicable with respect to calendar quarters beginning after June 30, 1969, in the case of the States and the District of Columbia, and with respect to calendar quarters beginning after June 30, 1972, in the case of Puerto Rico, the Virgin Islands, and Guam.

Section 228. Utilization of State Facilities to Provide Consultative Services to Institutions Furnishing Medical Care

Section 228(a) of the bill adds to section 1902(a) of the Social Security Act a new requirement that a State plan for medical assistance must, effective July 1, 1969, provide for consultative services by health agencies and other appropriate State agencies to hospitals, nursing homes, home health agencies, clinics, laboratories, and other institutions specified by the Secretary, in order to assist them with respect to (1) qualifying for payments under the act, (2) establishing and maintaining fiscal records necessary for the proper and efficient administration of the act, and (3) providing information needed to determine payments due under the act on account of care and services furnished to individuals.

Section 228(b) of the bill provides that, effective July 1, 1969, the last sentence of section 1864(a) of the act is repealed.

Section 229. Payments for Services and Care by a Third Party

Section 229(a) of the bill adds to section 1902(a) of the Social Security Act a new requirement that a State plan for medical assistance must provide (1) that the State or local agency will take all reasonable measures to ascertain whether third parties are legally liable to pay for care and services (available under the plan) arising out of injury, disease, or disability, (2) that where the agency knows that a third party has such legal liability it will treat such legal liability as a resource of the individual for whom care and services are made available in its consideration of whether income and resources are available to him, and (3) that in any case where it is found that such legal liability exists after medical assistance has been provided to the individual, the agency will seek reimbursement for such medical assistance to the extent of such legal liability.

Section 229(b) of the bill provides that the amendments made by section 229(a) will be applicable with respect to legal liabilities of third parties arising after March 31, 1968.
Section 229(c) of the bill amends section 1903(d)(2) of the act by adding thereto a new sentence which provides that expenditures for which the State received payments under section 1903(a) of the act shall be treated as an overpayment to the extent the State or local agency is reimbursed for such expenditures by a third party pursuant to the provisions of its plan that comply with the requirements added to section 1902(a) of the act by section 229(a) of the bill.

SECTION 230. DIRECT PAYMENTS TO CERTAIN RECIPIENTS OF MEDICAL ASSISTANCE

Section 230 of the bill amends section 1905(a) of the Social Security Act to provide that in the case of physicians' services provided under a State plan approved under title XIX to an individual who is not a recipient of aid or assistance under another approved public assistance plan of the State, the term "medical assistance" includes payments for such services regardless of whether the State makes such payments directly to such individual or on his behalf to the provider of such services.

SECTION 231. DATE ON WHICH STATE PLANS UNDER TITLE XIX MUST MEET CERTAIN FINANCIAL PARTICIPATION REQUIREMENTS

Section 231 of the bill amends section 1902(a)(2) of the Social Security Act to advance to July 1, 1969, the date on which State plans for medical assistance must meet the requirements for State financial participation.

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

SECTION 235. INCLUSION OF CHILD-WELFARE SERVICES IN TITLE IV

Subsections (a), (b), and (c) of section 235 of the bill incorporate into title IV as a new part B the present provisions for child-welfare services now appearing in part 3 of title V. The present title IV, including the amendments made by the bill, becomes part A of title IV.

Part B of title IV, in addition to incorporating all the provisions of title V, part 3, makes the following changes in such part 3: (1) The authorization for appropriations is changed to $100 million for the fiscal year ending June 30, 1969, and $110 million for each fiscal year thereafter; and (2) the provision relating to research, training, and demonstration projects (sec. 426) is amended to authorize projects for the demonstration of the utilization of research in the field of child welfare in order to encourage experimental and special types of welfare services and to authorize contracts and jointly financed cooperative arrangements for research, special projects, or demonstration projects.

Subsection (d) of section 235 of the bill adds a provision requiring the State plan for child-welfare services to provide that the State agency administering or supervising the administration of the plan of the State approved under part A of title IV will administer or supervise the administration of the plan under part B of title IV and that
those child-welfare services which are furnished by the staff of the State or local agency will be the responsibility of the organizational unit in the State or local agency established under section 402(a)(15) of the act.

Subsections (e), (f), and (g) of section 235 of the bill contain a number of provisions effectuating the transfer of the child-welfare provisions from title V, part 3 to part B of title IV:

1. title V, part 3 is repealed on enactment of the bill;
2. part B of title IV becomes effective at that time;
3. a plan developed under title V, part 3, is treated as a plan developed under part B of title IV;
4. appropriations, allotments, or reallocations under title V, part 3, is deemed such under part B of title IV;
5. overpayments and underpayments under title V, part 3, are treated as such under part B of title IV; and
6. grants and appropriations under section 526 of the act are deemed to be such under section 426.

Subsection (e) of section 235 of the bill also provides that subsection (d) of such section (relating to the State agency and the organizational unit responsible for furnishing child-welfare services) will be effective July 1, 1969.

SECTION 236. CONFORMING AMENDMENTS

Section 236 of the bill makes a series of conforming amendments to provisions of titles II, IV, XI, XVI, XVIII, and XIX of the Social Security Act which are necessary to reflect the transfer of the child-welfare provisions from title V to title IV of the act by section 235 of the bill.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

SECTION 245. PARTIAL PAYMENTS TO STATES

Section 245 of the bill amends sections 4, 404(a), 1004, and 1404 of the Social Security Act so that, where the Secretary finds after notice and opportunity for hearing to a State that its plan approved under section 2, 402, 1002, or 1402 of the act fails to comply with the provisions of such section, the Secretary will have discretion (similar to the authority now in secs. 1604 and 1904 of the act) to limit the withholding of Federal payments to the State to categories under or parts of the plan not affected by such failure, rather than withhold total payments to the State.

SECTION 246. CONTRACTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

Section 246 of the bill amends section 1110(a)(2) of the Social Security Act to authorize contracts for research and demonstration projects with private organizations and agencies (as well as with States and public and other nonprofit organizations and agencies, to which the present authority is limited).
SECTION 247. PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION PROJECTS

This section of the bill amends section 1115 of the Social Security Act to make permanent the authority to pay the State's share of the cost of demonstration projects to promote the objectives of the public assistance titles of the act, and to increase the funds available for such purposes for any fiscal year beginning after June 30, 1967, from $2 million to $4 million.

SECTION 248. SPECIAL PROVISIONS RELATED TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

Section 248(a) of the bill amends section 1108 of the Social Security Act in its entirety and makes the amendment applicable with respect to fiscal years beginning after June 30, 1967.

Under section 1108(a) of the act as so amended, the present $9.8 million limit for Federal financial participation in the public assistance programs (other than the medical assistance program) of Puerto Rico would be raised to $12.5 million for fiscal year 1968 and further increases would be made in each succeeding fiscal year to a maximum of $24 million for fiscal year 1972 and each fiscal year thereafter. Similarly, there would be proportionate increases in the dollar maximums for the Virgin Islands and Guam—from the present $330,000 to $800,000 for fiscal year 1972 and thereafter in the case of the Virgin Islands, and from the present $450,000 to $1.1 million for fiscal year 1972 and thereafter in the case of Guam. These limits do not apply to payments which are subject to the limits imposed by section 1108(b) (discussed below).

Section 1108(b) of the act as amended authorizes payment, in addition to the amounts stated in section 1108(a), on account of family planning services (required pursuant to sec. 402(a)(15)(B)(ii) of the act as added by sec. 201(a)(1) of the bill) and services and items referred to in section 403(a)(3)(B) of the act (as added by sec. 204(c) of the bill) and in section 304(2) of the act (as added by sec. 204(f)(1) of the bill), with respect to any fiscal year, of not more than $2 million for Puerto Rico, $65,000 for the Virgin Islands, and $90,000 for Guam.

Section 1108(c) of the act as amended imposes a maximum on Federal payments for the medical assistance program under title XIX of the act, with respect to any fiscal year, of $20 million for Puerto Rico, $650,000 for the Virgin Islands, and $900,000 for Guam. In addition to this limitation, section 248(e) of the bill, by an amendment to section 1905(b) of the act, reduces the Federal medical assistance percentage for Puerto Rico, the Virgin Islands, and Guam from 55 to 50 percent, effective with respect to quarters after 1967. Section 248(d) of the bill makes inapplicable to these three jurisdictions the limitation on Federal participation in medical assistance expenditures that is applicable to the States and the District of Columbia under section 1903(f)(1) of the act as added by section 290(a) of the bill.

Section 1108(d) of the act as amended (substantially restating existing law) provides that, notwithstanding sections 502(a) and 512(a) of the present Social Security Act, and sections 421, 503(1),
and 504(1) of the act as amended by the bill, and until the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the initial allotment specified in such sections, allot such smaller amounts to Guam as he may deem appropriate.

Section 248(b) of the bill provides that, notwithstanding section 403(a)(3)(A) of the act (as amended by sec. 201(c) of the bill) and section 403(a)(3)(B) of the act (as added by sec. 204(c) of the bill), the rate specified in such provisions shall, in the case of Puerto Rico, the Virgin Islands, and Guam, be 60 percent (rather than 75 or 85 percent).

Section 248(c) of the bill provides, effective July 1, 1969, that neither the disregards or set-aside of income authorized under section 402(a)(7) of the present Social Security Act nor the disregards or set-aside of income provided for in section 402(a)(8) of the act as amended by section 202(b) of the bill will apply in the case of Puerto Rico, the Virgin Islands, and Guam. It further requires, effective not later than July 1, 1972, that their State plans approved under section 402 of the act provide for disregarding of income of dependent children in making the determination under such section 402(a)(7) in amounts (agreed to between the Secretary and the State agencies involved) sufficiently lower than the amounts specified in such section 402(a)(8) to reflect appropriately the applicable differences in income levels.

SECTION 249, APPROVAL OF CERTAIN PROJECTS

This section of the bill adds to title XI of the Social Security Act a new section 1120. Subsection (a) of such section 1120 would prohibit any payment under the Social Security Act with respect to any experimental, pilot, demonstration, or other project where any part of such a project is wholly financed with Federal funds made available under such act (without any non-Federal financial participation) unless the Secretary or Under Secretary of Health, Education, and Welfare has personally approved such project. Section 1120(b) would require the Secretary to submit to the Congress, as soon as possible after the approval of any such project, a description thereof together with a statement of its purpose, probable cost, and expected duration.

TITLE III. IMPROVEMENT OF CHILD HEALTH

SECTION 301. CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V OF THE SOCIAL SECURITY ACT

Section 301 of the bill amends title V of the Social Security Act, effective with respect to the fiscal years beginning after June 30, 1968, by substituting a new title V for parts 1, 2, 4, and 5 of the present title V as follows:

TITLE V—MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES

Section 501. Authorization of Appropriations

The new section 501 combines the purpose clauses of existing sections 501 and 511, adds reduction of infant mortality to the purpose
clause, and incorporates into a single authorization for appropriations the authorizations in existing parts 1, 2, and 4 of title V. The combined authorization is for $250 million for the fiscal year ending June 30, 1969, and increases in annual steps of $25 million per year to $350 million for the fiscal year ending June 30, 1973, and for each fiscal year thereafter.

Section 502. Purposes for Which Funds are Available

The new section 502 makes the appropriations pursuant to new section 501 available as follows: For fiscal years 1969 through 1972, 50 percent is allotted for maternal and child health services and services for crippled children, 40 percent for special project grants for maternity and infant care, health of school and preschool children, and dental health of children, and 10 percent for grants for research and training; for the fiscal year ending June 30, 1973, and each year thereafter, 90 percent of the appropriation is allotted for the maternal and child health and crippled children's services program under new sections 503 and 504 which will, after June 30, 1972, include the special projects relating to such services under new sections 508, 509, and 510, and 10 percent is allotted for training and research under new sections 511 and 512. The Secretary may transfer not to exceed 5 percent of the appropriation from one of the purposes specified to another and of the appropriations available for sections 503 and 504 shall determine the portion to be available for allotment under each section.

Section 503. Allotments to States for Maternal and Child Health Services

The new section 503 replaces, and makes no substantive change in, the provisions of existing section 502.

Section 504. Allotments to States for Crippled Children's Services

The new section 504 replaces, and makes no substantive change in, the provisions of existing section 512.

Section 505. Approval of State Plans

The new section 505 requires a single State plan for maternal and child health services and services for crippled children. It combines the provisions of existing sections 503 and 513 and adds new plan requirements as follows:

1. Provision for early identification and treatment of children in need thereof with respect to the portion of the plan relating to crippled children;
2. Special attention to dental care for children and family planning services for mothers in the development of demonstration projects;
3. Effective July 1, 1972, provision of a program of projects which offer reasonable assurance of helping reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing and of helping to reduce infant and maternal mortality, and which offer reasonable
assurance of promoting the health of children of school and pre-
school age and of promoting the dental health of such children.
Section 505 also provides that in the event different agencies adminis-
tered (or supervised) the plans under existing sections 503 and 513
on July 1, 1967, each such agency can continue to administer (or
supervise) its respective portion of the new combined plan.

Section 506. Payments

The new section 506 replaces, and makes no substantive change in,
the provisions of subsections (a), (b), and (c) of existing sections 504
and 514. However, this section adds as a condition of payment mainte-
nance of State and local fiscal effort at least at the 1968 level and
adds to the existing other conditions of payment (which require that
States make a satisfactory showing of extension of maternal and child
health services and services to crippled children) extension of the pro-
vision of dental care and family planning services. It also includes a
provision on payment of grants under other provisions of title V.

Section 507. Operation of State Plans

The new section 507 (which replaces the existing secs. 505 and 515)
empowers the Secretary, in the event of a State's failure to comply
with all or any of the State's plan requirements, to withhold payment
or limit payment to categories under parts of the plan not affected by
such failure until he is satisfied that there is no longer failure to
comply.

Section 508. Special Project Grants for Maternity and Infant Care

The new section 508 (which replaces the existing sec. 531) adds
reduction of infant and maternal mortality to the purpose clause of the
authorization for special project grants for maternity and infant care,
authorizes health care for mothers and infants in circumstances which
increase hazards to their health, authorizes grants for projects for
provision of health care for infants and for projects for family plan-
ning services, adds any public or nonprofit private agency, institu-
tion, or organization as a potential grantee for these purposes, and
extends the authorization for projects under this section for 4 addi-
tional years, through June 30, 1972.

Section 509. Special Project Grants for Health of School and
Preschool Children

The new section 509 replaces the existing section 532 without sub-
stantial change in the program content and extends the authorization
for special project grants for health of school and preschool children
for 2 additional years, through June 30, 1972.

Section 510. Special Project Grants for Dental Health of Children

The new section 510 adds to title V a new authorization for project
grants to promote the dental health of children and youth of school
or preschool age, particularly in areas with concentrations of low in-
come families. The Secretary is authorized to make grants to the State health agency and (with the consent of the State health agency) to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for dental care and services for children and youth of school age or preschool children. Treatment, correction of defects, or aftercare is available only to children who would not otherwise receive it because they are from low income families or because of other reasons beyond their control. Such preventive services, treatment, correction of defects, and aftercare for such age groups as may be provided in regulations of the Secretary must be available through the project. Projects may include research or demonstrations. No grant may be made for any project under this section for any period after June 30, 1972.

Section 511. Training of Personnel

The new section 511 replaces and broadens the training authorization in existing section 516 to include training of any personnel for health care and related services for mothers and children and to give priority to training at the undergraduate level.

Section 512. Research Projects Relating to Maternal and Child Health Services and Crippled Children's Services

The new section 512 replaces existing section 533 and requires that special emphasis be accorded to projects which will help in studying the need for, feasibility, costs, and effectiveness of comprehensive health care programs making maximum use of health personnel with varying levels of training, and in studying methods of training for such programs. Grants authorized under this section for such projects will include funds for training personnel for work in such projects.

Section 513. Administration

The new section 513 replaces existing section 541 and adds a new provision to make available up to one-half of 1 percent of the appropriation for grants under title V for evaluation of programs and reduces the amount available for allotments accordingly. The Secretary is authorized to carry out such evaluation directly, or by grants or contracts. This section also adds, as a condition of receipt of grants under title V by any agency, institution, or organization, a requirement for cooperation (to the extent specified by the Secretary) with the agency administering or supervising the administration of the State's plan approved under title XIX.

Section 514. Definition

The new section 514 defines a crippled child for purposes of title V.

SECTION 302. CONFORMING AMENDMENTS

Section 302 of the bill amends title XIX of the act, effective July 1, 1969, to list, among the described care and services which are included under "medical assistant," such screening, diagnosis, and treatment of
children as are prescribed in regulations by the Secretary and to re­
quire that State plans under title XIX must provide for utilization 
and appropriate reimbursement of the agencies, institutions, and or­
ganizations providing services under title V for the cost of such ser­
ices furnished to any individual for which payment would otherwise
be made to the State with respect to him under section 1903.

SECTION 303. 1968 AUTHORIZATION FOR MATERNITY AND INFANT CARE
PROJECTS

Section 303 of the bill amends section 531 of the existing title V of
the act by increasing the authorization for special project grants for
maternity and infant care from $30 to $35 million for the fiscal year
ending June 30, 1968.

SECTION 304. SHORT TITLE

Section 304 authorizes citing title III of the bill as the "Child Health
Act of 1967."

TITLE IV—GENERAL PROVISIONS

SECTION 401. SOCIAL WORK MANPOWER AND TRAINING GRANTS FOR
EXPANSION AND DEVELOPMENT OF UNDERGRADUATE AND GRADUATE
PROGRAMS

This section of the bill adds a new section 707 to title VII of the
Social Security Act. The new section authorizes an appropriation
of $5 million for the fiscal year ending June 30, 1969, and $5 mil­
lion for each of the 3 succeeding fiscal years for grants by the Sec­
retary to public or nonprofit private colleges and universities and
to accredited graduate schools of social work or an association of such
schools. The grants are to be made to meet part of the cost of de­
development, expansion, or improvement of undergraduate programs in
social work and programs for the graduate training of professional
social work personnel, including the costs of compensation of addi­
tional faculty, administrative personnel, and minor improvements of
existing facilities. No less than half the amount appropriated for any
fiscal year may be used for grants for undergraduate programs. In
making grants, the Secretary is to take into account the relative
need in the States for personnel trained in social work and the effect
of the grants thereon.

The term "graduate school of social work" means a department,
school, division, or other administrative unit, in a public or private
college or university, which provides, primarily or exclusively, a pro­
gram of education in social work and allied subjects leading to a
graduate degree in social work. The term "accredited" as applied to a
graduate school of social work refers to a school accredited by a body
or bodies approved by the Commissioner of Education or with respect
to which there is evidence satisfactory to the Secretary that it will be
accredited within a reasonable time. The term "nonprofit" is used in
the sense that no part of the net earnings derived from the operation
of a college or university inur es to the benefit of any private share­
holder or individual.
SECTION 402. INCENTIVE FOR LOWERING COSTS WHILE MAINTAINING QUALITY AND INCREASING EFFICIENCY IN THE PROVISION OF HEALTH SERVICES

Section 402(a) of the bill authorizes the Secretary to develop and engage in experiments under which organizations and institutions which are selected by the Secretary in accordance with regulations and which would otherwise be reimbursed on the basis of reasonable cost for services under (1) title XVIII of the Social Security Act (health insurance for the aged), (2) title XIX of the act (grants to States for medical assistance programs), or (3) title V of the act (grants to States for maternal and child welfare) will be reimbursed in any manner mutually agreed upon by the Secretary and the institution or organization. The method of reimbursement which will be applied in such experiments will be such as the Secretary may select, may be based on charges or costs adjusted by incentive factors, and may include specific incentive payments or reductions of payments for the performance of specific actions, but in any case shall be such as he determines may, through experiment, be demonstrated to have the effect of increasing the efficiency and economy of health services through the creation of additional incentives to these ends without adversely affecting the quality of such services.

Section 402(b) of the bill provides that in the case of any such experiment, the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the act insofar as they require reimbursement for certain services to be made on the basis of reasonable cost (including physicians' services and other medical services which a group practice prepayment plan elects to have reimbursed on a cost basis in accordance with sec. 1833(a)(1) of such act). Costs incurred in such experiments which would not otherwise be paid under such titles for such services may nevertheless be paid to the extent that the waiver applies to them, and in such cases the Secretary will bear the excess costs.

Section 402(c) of the bill amends section 1875(b) of the act to provide that the Secretary's annual report to the Congress concerning the operation of the health insurance program will include a report on the experimentation authorized by section 402 of the bill.

SECTION 403. CHANGES TO REFLECT CODIFICATION OF TITLE 5, UNITED STATES CODE

Section 403 of the bill amends various provisions of the Social Security Act, and of certain other related laws, to correct references which were rendered obsolete or erroneous by the enactment into positive law of title 5 of the United States Code on September 6, 1966 (Public Law 89–554).

SECTION 404. MEANING OF SECRETARY

Section 404 of the bill makes it clear that the term “Secretary” (unless the context otherwise requires) means the Secretary of Health, Education, and Welfare when it is used in the amendments made by the bill.
V. SUPPLEMENTAL VIEWS OF THE HONORABLE
JACOB H. GILBERT OF NEW YORK

I am forced to dissent vigorously from the decision of the commit­
tee to apply new standards that narrow the implementation of title
XIX, the program known as medicaid.

I feel, first, that it establishes a grievous and unfortunate precedent.
I am familiar with events in my own State, New York, but similar
patterns have occurred elsewhere. The States have devised and put into
effect medicaid programs based on legislation passed in 1965 and
which they had every reason to believe would remain unchanged. The
legislation contained a commitment for assistance from the Federal
Government. The States acted in good faith on that commitment.
Under the amendment included in the current legislation, the Federal
Government would be backing out of the obligation it assumed. Iron­
ically, it takes that action, not because the program in question has
been a failure, but because it has been a success. It has helped so many
needy persons that it has cost more than originally anticipated. No
reason could be less justified for cutting back on a program.

I believe, furthermore, that this amendment is a serious mistake be­
cause it penalizes productive members of the community. By setting
arbitrary income limits for eligibility, it cuts out those families and
individuals who work but who lack sufficient income to pay for medical
expenses. It will not, in most instances, penalize welfare recipients,
but only those who are struggling by the sweat of their own brow to
make ends meet. I need not emphasize that the amendment will deprive
children of the care they need and, in recent years, have acquired
under this program. The decision to reduce the scope of the program
is, in my view, an inadvisable one.

I object, furthermore, to this amendment because it penalizes the
State of New York more than any other. New York has, throughout
recent history, been a pioneer in social welfare legislation. It has had
in effect a program similar to medicaid dating back to 1929. Its pro­
gram is the best in the country. Under the standards established in
this amendment, thousands of New Yorkers will be stricken from
eligibility.

I am gratified that the committee has agreed to achieve its goal of
establishing eligibility at 133½ percent of average AFDC standards
on a three-step basis. But even the first step, 150 percent, will reduce
eligibility for families and individuals by substantial amounts. It
appears that thousands of self-supporting, self-respecting families will
now have to go on the welfare rolls for medical assistance.

I feel that this is a particularly inopportune moment for the en­
actment of this amendment. It is inopportune because we are seeking
to persuade the poorer segment of our Nation to take courage, to look
to Government not for a dole but for the means of becoming financially
independent. This amendment will break the hearts of thousands of
conscientious citizens. In view of the domestic turmoil through which this Nation is now suffering, I believe it is unwise to eliminate the programs that give hope to those who live at the margins of our economy.

I must conclude by noting that this bill, in my opinion, is inadequate for the needs of those members of our society whose resources are fewest. I proposed an across-the-board increase in retirement benefits of 50 percent. The administration proposed 15 percent. The committee voted only 12.5 percent, which I regard as clearly insufficient.

I note further that the minimum old-age and disability benefit was raised from $44 to only $50 a month, which is still not a sufficient income to represent a subsistence level of existence.

Finally, I point out that the increase in social security tax falls most heavily on the lower income taxpayers who obviously are the least able to afford the expenditure. I would have preferred a tax increase which could have been made progressive, falling more heavily on those in the upper brackets.

Jacob H. Gilbert.
VI. SUPPLEMENTAL VIEWS OF HON. THOMAS B. CURTIS, OF MISSOURI

I concur with the committee report and recommend the passage of H.R. 12080. Although I have some serious reservations about the changes in the old-age and survivorship portion of the bill which I shall discuss later, the improvements in the welfare sections are extensive and too long delayed. The improvements in the medical care sections, titles XVIII and XIX, are much needed but they are only the beginning of the amendments necessary to try to make these systems work. Although I believe the systems are fundamentally unsound and wide of the mark in attacking the real health problems of the aged and other potentially medically indigent, nonetheless, the innovations should have as fair a test as possible.

The real health problems lie in the area of financing catastrophic health costs. They never did lie in financing the routine and less costly illnesses of our people. H.R. 12080 notably extends the hospital benefits from 60 days to 90 days. This is still hitting at the problem from the wrong end. The cases of catastrophic illness or accident require sometimes a year or more of hospital care and can put even affluent families on relief. These problems are met only in title XIX, the welfare section of the social security law. Our programs should be designed to keep people off welfare.

H.R. 12080 fails to correlate retirement benefits from social security with retirement benefits that most Americans derive from personal savings and private pension plans.

Americans in contrast to people in other developed countries have a broadly based tripartite system for their retirement. Government social security is one part. The primary and historical part consists of the person's own savings, annuities, insurance, homeownership, etc. The third part consists of the funded employment pension plans which meet the standards set by the Congress in the Internal Revenue Code.

The committee report states that studies of the Social Security Administration find that "Because social security benefits are virtually the sole reliance of about half the beneficiaries and the major reliance for almost all beneficiaries the level at which social security benefits are set determines in large measure the basic economic well-being of the majority of the Nation's older people." I challenge this statement. I have seen no studies by the Social Security Administration or by others which substantiates it. The wealth and investment resources of the aged as well as their income sources need objective study. Indeed, if this statement were true, what are we to believe happened to old people in America before 1936? They were cared for and compassionately, nor were the bulk of them cared for through welfare programs. Our objective should be to improve our systems, not denigrate them. This can only be done through objective studies.
Today social security is certainly an important part of the retirement plans of most Americans. But it is only a part and when it was initiated, it was never proposed as the sole source of retirement income for our people. The discussion today should be around how much of a part it should be.

Now that over 90 percent of all Americans are covered by social security as their standard of living increases with additional discretionary income available to them should they and their employers put that money into increasing social security benefits or increasing the benefits they might obtain through private savings plans and the employer-employee pension systems?

I argue that there are three basic reasons today that the increase of retirement benefits for our people should come from further emphasis on funded retirement programs rather than pay-as-you-go retirement systems such as governmental social security.

1. Funded retirement programs can pay larger benefits than a pay-as-you-go system, because over 50 percent of the benefits paid out to the retiree come from the earnings on the investment of the fund. Our private pension plans today have over $90 billion in their funds. The annual earnings run over $4.5 billion. These funded plans are being extended to cover more and more people. About 25 million workers are presently covered in a program which was effectively started almost 10 years after social security. It wasn't until last year that the Congress effectively extended the tax treatment for corporate pension plans to self-employed and their employees. In a few years 50 million or 75 percent of the workers should be covered and the funds should be well over $200 billion.

The social security system, on the other hand, is a pay-as-you-go system which does not contemplate paying benefits out of the earnings of the trust fund. The social security trusts consist of only $22 billion and is called a contingent fund—to protect the system against unanticipated contingencies such as serious recession. It barely equals the benefits paid out in 1 year, yet it covers over 65 million workers. If the social security system were funded in the same sense that corporate and other private pension plans are required to be funded by our tax and insurance laws, the fund would have to have $350 billion in it.

In other words, instead of increasing the payroll tax by say $200 a year—$100 from the employee and $100 from the employer by increasing the wage base on which the social security tax is paid from $6,800 to $7,800 and increasing the rate of tax, that same $200 a year if paid into a funded pension plan, the benefits could be increased two to three times the increases provided in the social security pay-as-you-go system.

The second reason which requires us to be cautious about increasing the social security system by having it compete for the same funds which finance private retirement plans is the economic limitations of the payroll tax, which is the method of financing not only social security but unemployment insurance and, in reality, workmen's compensation. Many economists have argued that getting the social security tax above 10 percent of payroll endangers the basic system. It is certainly true that all taxes have a point of diminishing returns. Without the increases in this bill, the payroll tax is already scheduled to go up to 11.3 percent of payroll.
The third reason for increasing the retirement benefits for our people through the funded systems rather than through pay-as-you-go systems lies in the need of any society for capital to finance its economic growth and increased standard of living. The Western European countries, particularly the ones that have been acclaimed for paying higher social security benefits than does the U.S. social security system, constantly look with envious eyes to the great U.S. capital market, because they do not have the capital to finance their growth. Americans through their tripartite retirement systems have much greater retirement benefits per person than these same countries because Americans do rely heavily on funded retirement systems in addition to social security. In the process, Americans have created great savings which are available through the savings and loan institutions ($150 billion), through the pension plans ($90 billion), through the insurance companies ($200 billion) and savings in banks ($100 billion) to finance the expansion of industry and their own living standards. If a society does not finance a large part of the retirement of its people through savings, it creates serious difficulties for itself.

So when we cut in on the funded systems by increasing the pay-as-you-go system as is done to some degree in H.R. 12080, we cut back on the amount of benefits that otherwise might be paid to our retirees as well as cut back on the capital that otherwise would be available to finance the Nation's growth which provides the jobs and living standards for our people.

I think it is important that we understand our great society so that in our endeavor to improve and better it, we do not unwittingly damage it.

THOMAS B. CURTIS.
IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 1967

Mr. MILLS (for himself and Mr. BYRNES of Wisconsin) introduced the following bill; which was referred to the Committee on Ways and Means

AUGUST 7, 1967

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

1 Be it enacted by the Senate and House of Representa-

tives of the United States of America in Congress assembled,

2 That this Act, with the following table of contents, may be cited as the “Social Security Amendments of 1967”.

3

4 I—O
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Sec. 102. Increase in benefits for certain individuals age 72 and over.
Sec. 103. Maximum amount of a wife's or husband's insurance benefit.
Sec. 104. Benefits to disabled widows and widowers.
Sec. 105. Insured status for younger disabled workers.
Sec. 106. Benefits in case of members of the uniformed services.
Sec. 107. Liberalization of earnings test.
Sec. 108. Increase of earnings counted for benefit and tax purposes.
Sec. 109. Changes in tax schedules.
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Sec. 127. Inclusion of podiatrists' services under supplementary medical insurance program.
Sec. 128. Exclusion of certain services.
Sec. 129. Transfer of all outpatient hospital services to supplementary medical insurance program.
Sec. 130. Billing by hospital for services furnished to outpatients.
Sec. 131. Payment of reasonable charges for radiological or pathological services furnished by certain physicians to hospital inpatients.
Sec. 132. Payment for purchase of durable medical equipment.
Sec. 133. Payment for physical therapy services furnished by hospital to outpatients.
Sec. 134. Payment for certain portable X-ray services.
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Sec. 137. Extension of maximum duration of benefits for inpatient hospital services to 120 days.
Sec. 138. Limitation on special reduction in allowable days of inpatient hospital services.
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PART 3—HEALTH INSURANCE BENEFITS—Continued

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PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

Sec. 150. Eligibility of adopted child for monthly benefits.
Sec. 151. Criteria for determining child’s dependency on mother.
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Sec. 154. Definitions of widow, widower, and stepchild.
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Sec. 156. Definition of disability.
Sec. 157. Disability benefits affected by receipt of workmen’s compensation.
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Sec. 163. Advisory Council on Social Security.
Sec. 164. Reimbursement of civil service retirement annuitants for certain premium payments under supplementary medical insurance program.
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PART 1—PUBLIC ASSISTANCE AMENDMENTS

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Sec. 204. Community work and training programs.
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Sec. 303. 1968 authorization for maternity and infant care projects.
Sec. 304. Short title.

TITLE IV—GENERAL PROVISIONS

Sec. 401. Social work manpower and training.
Sec. 402. Incentive for lowering costs while maintaining quality and increasing efficiency in the provision of health services.
Sec. 403. Changes to reflect codification of title 5, United States Code.
Sec. 404. Meaning of Secretary.
1 TITLE I—OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

2 PART 1—BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

3 INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

4 SEC. 101. (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"

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<th>II (Primary insurance amount under 1955 Act)</th>
<th>III (Average monthly wage)</th>
<th>IV (Primary insurance amount)</th>
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### Table for Determining Primary Insurance Amount and Maximum Family Benefits—Continued

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<td>(Primary insurance benefit under 1959 Act, as modified)</td>
<td>(Primary insurance amount under 1953 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
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<td>Or his primary insurance amount (as determined under subsec. (b)) is—</td>
<td>Or his average monthly wage (as determined under subsec. (b)) is—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
<td>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—</td>
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<td>42.21</td>
<td>30.00</td>
<td>95.50</td>
<td>226</td>
<td>226</td>
</tr>
<tr>
<td>43.77</td>
<td>30.00</td>
<td>95.00</td>
<td>224</td>
<td>226</td>
</tr>
<tr>
<td>44.45</td>
<td>30.00</td>
<td>94.60</td>
<td>224</td>
<td>225</td>
</tr>
<tr>
<td>44.69</td>
<td>30.00</td>
<td>94.60</td>
<td>225</td>
<td>225</td>
</tr>
</tbody>
</table>

(Primary insurance benefit under 1959 Act, as modified)
TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Primary insurance benefit under 1939 Act, as modified)</td>
<td>(Primary insurance amount under 1965 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
</tr>
<tr>
<td>If an individual's primary insurance benefit (as determined under subsec. (d)) is—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At least</td>
<td>But not more than</td>
<td>At least</td>
<td>But not more than</td>
<td></td>
</tr>
<tr>
<td>$163.00</td>
<td>$164.00</td>
<td>$165.00</td>
<td>$166.00</td>
<td>$167.00</td>
</tr>
</tbody>
</table>

(b) Section 203 (a) of such Act is amended by striking out paragraph (2) 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 the second month following the month in which the Social Security Amendments of 1967 are enacted on the basis of the wages and self-employment income of such insured individual, such total of benefits for such
second month or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) 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 such second month, for each such person for such second month, by 112.5 percent and raising each such increased amount, if it is not a multiple of $.10, to the next higher multiple of $.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), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for such second month, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for such second month, or".
(c) (1) Section 215 (b) (4) of such Act is amended to read as follows:

"(4) The provisions of this subsection shall be applicable only in the case of an individual—

"(A) who becomes entitled, in or after the second month following the month in which the Social Security Amendments of 1967 are enacted, to benefits under section 202 (a) or section 223; or

"(B) who dies in or after such second month without being entitled to benefits under section 202 (a) or section 223; or

"(C) whose primary insurance amount is required to be recomputed under subsection (f) (2)."

(2) Section 215 (b) (5) of such Act is repealed.

(d) Section 215 (c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1965 Act

"(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 on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1967.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became en-
1 titled to benefits under section 202 (a) or section 223 before
2 the second month following the month in which the Social
3 Security Amendments of 1967 are enacted or who died
4 before such second month."
5
6 (e) The amendments made by this section shall apply
7 with respect to monthly benefits under title II of the
8 Social Security Act for and after the second month fol­
9 lowing the month in which this Act is enacted and with
10 respect to lump-sum death payments under such title in the
11 case of deaths occurring in or after such second month.
12
13 (f) If an individual was entitled to a disability insur­
14 ance benefit under section 223 of the Social Security Act
15 for the month following the month in which this Act is en­
16 acted and became entitled to old-age insurance benefits under
17 section 202 (a) of such Act for the second month following
18 the month in which this Act is enacted, or he died in such
19 second month, then, for purposes of section 215 (a) (4) of
20 the Social Security Act (if applicable) the amount in column
21 IV of the table appearing in such section 215 (a) for such
22 individual shall be the amount in such column on the line
23 on which in column II appears his primary insurance amount
24 (as determined under section 215 (c) of such Act) instead
25 of the amount in column IV equal to the primary insurance
26 amount on which his disability insurance benefit is based.
INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 102. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$35" and inserting in lieu thereof "$40", and by striking out "$17.50" and inserting in lieu thereof "$20".

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$35" and inserting in lieu thereof "$40".

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40".

(2) Section 228 (b) (2) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40", and by striking out "$17.50" and inserting in lieu thereof "$20".

(3) Section 228 (c) (2) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$20".

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40".

(5) Section 228 (c) (3) (B) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$20".

(c) The amendments made by subsections (a) and (b) shall apply with respect to 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.
Sec. 103. (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

"(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month, or (B) $105."

(b) Section 202(c)(3) of such Act is amended to read as follows:

"(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of his wife for such month, or (B) $105."

(c) Section 202(e)(4) of such Act is amended by striking out "50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based" and inserting in lieu thereof "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105".

(d) Section 202(f)(5) of such Act is amended by
striking out “50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based” and inserting in lieu thereof “whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) §105”.

(e) The amendments made by subsections (a), (b), (c), and (d) shall apply with respect to 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.

BENEFITS TO DISABLED WIDOWS AND WIDOWERS

SEC. 104. (a) (1) Subparagraph (B) of section 202 (e) (1) of the Social Security Act is amended to read as follows:

“(B) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223 (d) ) which began before the end of the period specified in paragraph (5),”.

(2) So much of section 202 (e) (1) of such Act as follows subparagraph (E) is amended to read as follows:

“shall be entitled to a widow’s insurance benefit for each month, beginning with—
“(F) if she satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

“(G) if she satisfies subparagraph (B) by reason of clause (ii) thereof—

“(i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes so entitled to such insurance benefits, or

“(ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if she was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (5) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, becomes entitled to an old-age insurance benefit equal to or exceeding 82 1/2 percent of the primary insurance amount of such deceased individual, or, if she became entitled to such benefits before she attained age 60, the third month following the month in which her disability ceases (unless she attains age 62 on or before the last day of such third month).”
(3) Section 202 (e) of such Act is further amended by adding after paragraph (4) the following new paragraphs:

"(5) The period referred to in paragraph (1) (B) (ii), in the case of any widow or surviving divorced wife, is the period beginning with whichever of the following is the latest:

"(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income her benefits are or would be based, or

"(B) the last month for which she was entitled to mother's insurance benefits on the basis of the wages and self-employment income of such individual, or

"(C) the month in which a previous entitlement to widow's insurance benefits on the basis of such wages and self-employment income terminated because her disability had ceased,

and ending with the month before the month in which she attains age 60, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

"(6) The waiting period referred to in paragraph (1) (G), in the case of any widow or surviving divorced wife, is the earliest period of six consecutive calendar months—
"(A) throughout which she has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which her application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (5) begins."

(b) (1) Subparagraph (B) of section 202(f)(1) of such Act is amended to read as follows:

"(B) (i) has attained age 62, or (ii) has attained age 50 but has not attained age 62 and is under a disability (as defined in section 223(d)) which began before the end of the period specified in paragraph (6),."

(2) So much of section 202(f)(1) of such Act as follows subparagraph (E) is amended to read as follows:

"shall be entitled to a widower's insurance benefit for each month, beginning with—

"(F) if he satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or

"(G) if he satisfies subparagraph (B) by reason of clause (ii) thereof—
“(i) the first month after his waiting period (as defined in paragraph (7)) in which he becomes so entitled to such insurance benefits, or

“(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (6) and (II) after the month in which a previous entitlement to such benefits on such basis terminated, and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding 82 1/2 percent of the primary insurance amount of his deceased wife, or the third month following the month in which his disability ceases (unless he attains age 62 on or before the last day of such third month).”

(3) Section 202 (f) (3) of such Act is amended by inserting “subsection (q) and” after “provided in”.

(4) Section 202 (f) of such Act is further amended by adding after paragraph (5) the following new paragraphs:

“(6) The period referred to in paragraph (1) (B) (ii),
in the case of any widower, is the period beginning with
whichever of the following is the latest:

"(A) the month in which occurred the death of the
fully insured individual referred to in paragraph (1)
on whose wages and self-employment income his bene-
fits are or would be based, or

"(B) the month in which a previous entitlement
to widower’s insurance benefits on the basis of such
wages and self-employment income terminated because
his disability had ceased,

and ending with the month before the month in which he
attains age 62, or, if earlier, with the close of the eighty-
fourth month following the month with which such period
began.

"(7) The waiting period referred to in paragraph (1)
(G), in the case of any widower, is the earliest period of
six consecutive calendar months—

"(A) throughout which he has been under a dis-
ability, and

"(B) which begins not earlier than with whichever
of the following is the later: (i) the first day of the
eighteenth month before the month in which his applica-
tion is filed, or (ii) the first day of the sixth month be-
fore the month in which the period specified in para-
graph (6) begins."
(c) (1) The heading of section 202(q) of such Act is amended to read as follows:

"Reduction of Benefit Amounts for Certain Beneficiaries"

(2) So much of section 202(q) (1) of such Act as precedes subparagraph (A) is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(3) Subparagraph (A) of section 202(q) (1) of such Act is amended by striking out "or widow's" and inserting in lieu thereof ", widow's, or widower's".

(4) Section 202(q) (1) of such Act is amended by adding at the end thereof the following:

"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—"

"(C) \( \frac{43}{98} \) of 1 percent of the amount of such benefit, multiplied by

"(D) (i) the number of months in the additional 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 additional 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.”

(5) Section 202 (q) (3) (A) of such Act is amended—
(A) by striking out “or widow’s” each place it ap­
ppears and inserting in lieu thereof “widow’s, or widow­
er’s”;
(B) by striking out “a widow’s” and inserting in
lieu thereof “a widow’s or widower’s”; and
(C) by striking out “60” and inserting in lieu
thereof “50”.

(6) Section 202 (q) (3) (C) of such Act is amended
by striking out “or widow’s” each time it appears and insert­
ing in lieu thereof “widow’s, or widower’s”.

(7) Section 202 (q) (3) (D) of such Act is amended
by striking out “or widow’s” and inserting in lieu thereof
“widow’s, or widower’s”.

(8) Section 202 (q) (3) (E) of such Act is amended—
(A) by striking out “(or would, but for subsection
(e) (1), be)” and inserting in lieu thereof “(or would,
but for subsection (e) (1) in the case of a widow or
surviving divorced wife or subsection (f) (1) in the case
of a widower, be)”;
(B) by striking out “widow’s” each place it ap­
ppears and inserting in lieu thereof “widow’s or widow­
er’s”; and
(C) by striking out “she” and inserting in lieu thereof “she or he”.

(9) Section 202 (q) (3) (F) of such Act is amended—

(A) by striking out “(or would, but for subsection (e) (1), be)” and inserting in lieu thereof “(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)”;

(B) by striking out “widow’s” each place it appears and inserting in lieu thereof “widow’s or widower’s”; and

(C) by striking out “she” and inserting in lieu thereof “she or he”.

(10) Section 202 (q) (3) (G) of such Act is amended—

(A) by striking out “(or would, but for subsection (e) (1), be)” and inserting in lieu thereof “(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)”;

(B) by striking out “widow’s” and inserting in lieu thereof “widow’s or widower’s”; and

(C) by striking out “he” and inserting in lieu thereof “she or he”.

(11) Section 202 (q) (6) of such Act is amended to read as follows:

“(6) For the purposes of this subsection—
“(A) the ‘reduction period’ for an individual’s old-age, wife’s, husband’s, widow’s, or widower’s insurance benefit is the period—

“(i) beginning—

“(I) in the case of an old-age or husband’s insurance benefit, with the first day of the first month for which such individual is entitled to such benefit, or

“(II) in the case of a wife’s insurance benefit, with the first day of the first month for which a certificate described in paragraph (5) (A) (i) is effective, or

“(III) in the case of a widow’s or widower’s insurance benefit, with the first day of the first month for which such individual is entitled to such benefit or the first day of the month in which such individual attains age 60, whichever is the later, and

“(ii) ending with the last day of the month before the month in which such individual attains retirement age; and

“(B) the ‘additional reduction period’ for an individual’s widow’s or widower’s insurance benefit is the period—

“(i) beginning with the first day of the first
month for which such individual is entitled to such benefit, but only if such individual has not attained age 60 in such first month, and

"(ii) ending with the last day of the month before the month in which such individual attains age 60."

(12) Section 202 (q) (7) of such Act is amended—

(A) by inserting “or ‘additional adjusted reduction period’” after “the ‘adjusted reduction period’”;

(B) by striking out “or widow’s” and inserting in lieu thereof “widow’s, or widower’s”;

(C) by inserting “or additional reduction period (as the case may be)” after “the reduction period”; and

(D) by striking out “widow’s” in subparagraph (E) and inserting in lieu thereof “widow’s or widower’s”, by striking out “she” each place it appears in such subparagraph and inserting in lieu thereof “she or he”, and by striking out “her” in such subparagraph and inserting in lieu thereof “her or his”.

(13) Section 202 (q) (9) of such Act is amended by striking out “widow’s” and inserting in lieu thereof “widow’s or widower’s”.

(d) (1) (A) The third sentence of section 203 (e) of such Act is amended by striking out “or any subsequent
month” and inserting in lieu thereof “or any subsequent
month; nor shall any deduction be made under this subsec-
tion from any widow’s insurance benefit for any month in
which the widow or surviving divorced wife is entitled and
has not attained age 62 (but only if she became so entitled
prior to attaining age 60), or from any widower’s insurance
benefit for any month in which the widower is entitled and
has not attained age 62”.

(B) The third sentence of section 203 (f) (1) of such
Act is amended by striking out “or (D)” and inserting in
lieu thereof the following: “(D) for which such individual
is entitled to widow’s insurance benefits and has not attained
age 62 (but only if she became so entitled prior to attaining
age 60) or widower’s insurance benefits and has not
attained age 62, or (E)”.

(C) Section 203 (f) (2) of such Act is amended by
striking out “and (D)” and inserting in lieu thereof “(D),
and (E)”.

(D) Section 203 (f) (4) of such Act is amended by
striking out “(D)” and inserting in lieu thereof “(E)”.

(2) Section 216 (i) (1) of such Act is amended by
inserting “202 (e), 202 (f),” after “202 (d),”.

(3) (A) Section 222 (a) of such Act is amended by
inserting “widow’s insurance benefits, or widower’s insurance
benefits,” after “benefits,.”
(B) Section 222(b)(1) of such Act is amended by striking out "child's insurance benefits or if" and inserting in lieu thereof "child's insurance benefits, a widow or surviving divorced wife who has not attained age 60, a widower who has not attained age 62, or".

(4) (A) Section 222(d)(1) of such Act is amended by inserting "or" at the end of subparagraph (B), and by inserting after such subparagraph the following new subparagraphs:

"(C) entitled to widow's insurance benefits under section 202(e) prior to attaining age 60, or

"(D) entitled to widower's insurance benefits under section 202(f) prior to attaining age 62,".

(B) Section 222(d)(1) of such Act is further amended by striking out "who have attained age 18 and are under a disability," in the first sentence and inserting in lieu thereof the following: "who have attained age 18 and are under a disability, the benefits under section 202(e) for widows and surviving divorced wives who have not attained age 60 and are under a disability, the benefits under section 202(f) for widowers who have not attained age 62,"

(5) (A) The first sentence of section 225 of such Act is amended by inserting after "under section 202(d)," the following: "or that a widow or surviving divorced wife who has not attained age 60 and is entitled to benefits under
26

section 202 (e), or that a widower who has not attained age
62 and is entitled to benefits under section 202 (f),”.

(B) The first sentence of section 225 of such Act is
further amended by striking out “223 or 202 (d)” and in­
serting in lieu thereof “202 (d), 202 (e), 202 (f), or 223”.

(c) The amendments made by this section shall apply
with respect to monthly benefits under title II of the
Social Security Act for and after the second month fol­
lowing the month in which this Act is enacted, but only
on the basis of applications for such benefits filed in or after
the month in which this Act is enacted.

INSURED STATUS FOR YOUNGER DISABLED WORKERS

Sec. 105. (a) Subparagraph (B) (ii) of section
216 (i) (3) of the Social Security Act is amended by strik­
ing out “and he is under a disability by reason of blindness
(as defined in paragraph (1) )”.

(b) Subparagraph (B) (ii) of section 223 (c) (1) of
such Act is amended by striking out “before he attains”
and inserting in lieu thereof “before the quarter in which
he attains”, and by striking out “and he is under a disability
by reason of blindness (as defined in section 216 (i) (1) )”.

(c) The amendment made by subsection (a) shall
apply only with respect to applications for disability deter­
minations filed under section 216 (i) of the Social Security
Act in or after the month in which this Act is enacted. The
amendments made by subsection (b) shall apply with respect to monthly benefits under title II of such Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

SEC. 106. Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

"Sec. 229. (a) For purposes of determining entitlement to and the amount of any monthly benefit for any month after December 1967, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any individual, and for purposes of section 216 (i) (3), such individual shall be deemed to have been paid, in each calendar quarter occurring after 1967 in which he was paid wages for service as a member of a uniformed service (as defined in section 210 (m) ) which was included in the term 'employment' as defined in section 210 (a) as a result of the provisions
of section 210 (1), wages (in addition to the wages actually paid to him for such service) of—

"(1) $100 if the wages actually paid to him in such quarter for such services were $100 or less,

"(2) $200 if the wages actually paid to him in such quarter for such services were more than $100 but not more than $200, or

"(3) $300 in any other case.

"(b) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund annually, as benefits under this title and part A of title XVIII are paid after December 1967, such sums as the Secretary determines to be necessary to meet (1) the additional costs, resulting from subsection (a), of such benefits (including lump-sum death payments), (2) the additional administrative expenses resulting therefrom, and (3) any loss in interest to such trust funds resulting from the payment of such amounts. Such additional costs shall be determined after any increases in such benefits arising from the application of section 217 have been made."

LIBERALIZATION OF EARNINGS TEST

Sec. 107. (a) (1) Paragraphs (1), (3), and (4) (B) of section 203 (f) of the Social Security Act are each
amended by striking out "$125" and inserting in lieu thereof "$140".

(2) Paragraph (1) (A) of section 203 (h) of such Act is amended by striking out "$125" and inserting in lieu thereof "$140".

(b) The amendments made by subsection (a) shall apply with respect to taxable years ending after December 1967.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

Sec. 108. (a) (1) (A) Section 209 (a) (4) of the Social Security Act is amended by inserting “and prior to 1968” after “1965”.

(B) Section 209 (a) of such Act is further amended by adding at the end thereof the following new paragraph:

“(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $7,600 with respect to employment has been paid to an individual during any calendar year after 1967, is paid to such individual during such calendar year;”.

(2) (A) Section 211 (b) (1) (D) of such Act is amended by inserting “and prior to 1968” after “1965”, 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 subpara-
graph:

"(E) For any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,600 in the case of a calendar year after 1967".

(B) Section 213 (a) (2) (iii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,600 in the case of a taxable year ending after 1967".

(4) Section 215 (e) (1) of such Act is amended by striking out "and the excess over $6,600 in the case of any calendar year after 1965" and inserting in lieu thereof "the excess over $6,600 in the case of any calendar year after 1965 and before 1968, and the excess over $7,600 in the case of any calendar year after 1967".

(b) (1) (A) Section 1402 (b) (1) (D) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1968" after "1965", 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:

"(E) for any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2) Section 3121 (a) (1) of such Code (relating to definition of wages) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

(3) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$6,600" and inserting in lieu thereof "$7,600".

(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

(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 1968" after "the calendar year 1965";

(B) by inserting after "exceed $6,600," the following: "or (D) during any calendar year after the calendar year 1967, the wages received by him during such year exceed $7,600,"; and
(c) by inserting before the period at the end thereof the following: "and before 1968, or which exceeds the tax with respect to the first $7,600 of such wages received in such calendar year after 1967".

(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 $6,600 for any calendar year after 1965" and inserting in lieu thereof "$6,600 for the calendar year 1966 or 1967, or $7,600 for any calendar year after 1967".

(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 1967. The amendments made by subsections (a) (2), (a) (3) (B), and (b) (1) shall apply only with respect to taxable years ending after 1967. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1967.

CHANGES IN TAX SCHEDULES

SEC. 109. (a) (1) Section 1401 (a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and
disability insurance) is amended by striking out paragraphs
(1), (2), (3), and (4) and inserting in lieu thereof the
following:

"(1) 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;

"(2) in the case of any taxable year beginning after
December 31, 1968, and before January 1, 1971, the
tax shall be equal to 6.3 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, 1970, and before January 1, 1973, the
tax shall be equal to 6.9 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."

(2) Section 3101 (a) of such Code (relating to rate
of tax on employees for purposes of old-age, survivors, and
disability insurance) is amended by striking out paragraphs
(1), (2), (3), and (4) and inserting in lieu thereof the following:

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

"(2) with respect to wages received during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages received after December 31, 1972, the rate shall be 5.0 percent."

(3) Section 3111 (a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

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

"(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages paid during the cal-
endar years 1971 and 1972, the rate shall be 4.6 per-

cent; and

“(4) with respect to wages paid after December
31, 1972, the rate shall be 5.0 percent.”

(b) (1) Section 1401 (b) of such Code (relating to
rate of tax on self-employment income for purposes of hos-
pital insurance) is amended by striking out paragraphs (1)
through (6) and inserting in lieu thereof the following:

“(1) in the case of any taxable year beginning
after December 31, 1966, and before January 1, 1969,
the tax shall be equal to 0.50 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, 1968, and before January 1, 1973,
the tax shall be equal to 0.60 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 0.65 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 0.70 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 0.80 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 0.90 percent of the amount of the self-employment income for such taxable year.”

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

“(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

“(2) with respect to wages received during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

“(3) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

“(4) with respect to wages received during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

“(5) with respect to wages received during the cal-
endaryears 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

“(6) with respect to wages received after December 31, 1986, the rate shall be 0.90 percent.”

(3) Section 3111 (b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

“(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

“(2) with respect to wages paid during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

“(3) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

“(4) with respect to wages paid during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

“(5) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

“(6) with respect to wages paid after December 31, 1986, the rate shall 0.90 percent.”
(c) The amendments made by subsections (a)(1) and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1967. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1967.

**ALLOCATION TO DISABILITY INSURANCE TRUST FUND**

Sec. 110. (a) Section 201(b)(1) of the Social Security Act is amended—

1. by inserting "(A)" after "(1)";
2. by striking out "1954, and" and inserting in lieu thereof "1954, (B)";
3. by inserting "and before January 1, 1968," after "December 31, 1965,"; and
4. by inserting after "so reported," the following:
   "and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and so reported."

(b) Section 201(b)(2) of such Act is amended—

1. by inserting "(A)" after "(2)";
2. by striking out "1966, and" and inserting in lieu thereof "1966, (B)";
3. by inserting after "December 31, 1965," the following: "and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967."
PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS,
AND DISABILITY INSURANCE PROGRAM

COVERAGE OF MINISTERS

SEC. 115. (a) The last sentence of section 211(c) of
the Social Security Act is amended to read as follows:
"The provisions of paragraph (4) or (5) shall not apply
to service performed by an individual unless an exemption
under section 1402(e) of the Internal Revenue Code of 1954
is effective with respect to him."

(b) (1) The last sentence of section 1402(c) of the
Internal Revenue Code of 1954 (relating to definition of
trade or business) is amended to read as follows:
"The provisions of paragraph (4) or (5) shall not apply
to service performed by an individual unless an exemption
under subsection (e) is effective with respect to him."

(2) Section 1402(e) of such Code (relating to min-
isters, members of religious orders, and Christian Science
practitioners) is amended to read as follows:
"(e) MINISTERS, MEMBERS OF RELIGIOUS ORDERS,
AND CHRISTIAN SCIENCE PRACTITIONERS.—

"(1) EXEMPTION.—Any individual who is (A)
a duly ordained, commissioned, or licensed minister of a
church or a member of a religious order or (B) a Chris-
tian Science practitioner, upon filing an application (in
such form and manner, and with such official, as may be
prescribed by regulations made under this chapter) to­
together with a statement that he is conscientiously op­
posed to the acceptance (with respect to services
performed by him as such minister, member, or prac­
titioner) of any public insurance which makes pay­
ments 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 bene­
fits of any insurance system established by the Social
Security Act), shall receive an exemption from the tax
imposed by this chapter with respect to services per­
formed by him as such minister, member, or practi­
tioner. Notwithstanding the preceding sentence,
an exemption may not be granted to an individual
under this subsection if he had filed an effective waiver
certificate under this section as it was in effect before
its amendment in 1967.

"(2) TIME FOR FILING APPLICATION.—Any indi­
vidual who desires to file an application pursuant to
paragraph (1) must file such application on or before
whichever of the following dates is later: (A) the due
date of the return (including any extension thereof) for
the second taxable year 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 (B) the due date of the return (including any ex-
tension thereof) for his second taxable year ending after 1967.

“(3) Effective Date of Exemption.—An ex-
emption received by an individual pursuant to this sub-
section shall be effective for the first taxable year for
which he has net earnings from self-employment (com-
puted 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), and for all succeeding taxable years.
An exemption received pursuant to this subsection shall
be irrevocable.”

c) The amendments made by subsections (a) and (b)
shall apply only with respect to taxable years ending after 1967.

Coverage of State and Local Employees

Sec. 116. (a) Section 218 (d) (6) (D) of the Social
Security Act is amended by inserting “(i)” after “(D)”;
and by adding at the end thereof the following:

“(ii) Notwithstanding clause (i), the State may, pur-
suant to subsection (c) (4) (B) and subject to the conditions
of continuation or termination of coverage provided for in
subsection (c) (7), modify its agreement under this section
to include services performed by all individuals described in
clause (i) other than those individuals to whose services the
agreement already applies. Such individuals shall be deemed
(on and after the effective date of the modification) to be
in positions covered by the separate retirement system
consisting of the positions of members of the division or part
who desire coverage under the insurance system established
under this title.”

(b) (1) (A) Section 218 (c) (3) of such Act is amended
by striking out subparagraph (A), and by redesignating
subparagraphs (B) and (C) as subparagraphs (A) and
(B), respectively.

(B) Paragraphs (4) and (7) of section 218 (c) of
such Act, and paragraph (5) (B) of section 218 (d) of such
Act, are each amended by striking out “paragraph (3) (C)”
wherever it appears and inserting in lieu thereof “paragraph
(3) (B)”.

(C) Paragraph (4) (C) of section 218 (d) of such
Act is amended by striking out “subsection (c) (3) (C)”
and inserting in lieu thereof “subsection (c) (3) (B)”.

(2) Section 218 (c) (6) of such Act is amended—
(A) by striking out “and” at the end of subpara-
graph (C); 

(B) by striking out the period at the end of sub-
paragraph (D) and inserting in lieu thereof "; and"
and
(C) by adding at the end thereof the following new
subparagraph:

"(E) service performed by an individual as an
employee serving on a temporary basis in case of fire,
storm, snow, earthquake, flood, or other similar
emergency."

(3) The amendments made by this subsection shall be
effective with respect to services performed on or after
January 1, 1968.

c) Section 218 (c) of such Act is amended by adding
at the end thereof the following new paragraph:

"(8) Notwithstanding any other provision of this sec-
tion, the agreement with any State entered into under this
section may at the option of the State be modified on or
after January 1, 1968, to exclude service performed by elec-
tion officials or election workers if the remuneration paid in a
calendar quarter for such service is less than $50. Any modi-
fication of an agreement pursuant to this paragraph shall be
effective with respect to services performed after an effective
date, specified in such modification, which shall not be
carlier than the last day of the calendar quarter in which the
modification is mailed or delivered by other means to the
Secretary."
INCLUSION OF ILLINOIS AMONG STATES PERMITTED TO
DIVIDE THEIR RETIREMENT SYSTEMS

Sec. 117. Section 218 (d) (6) (C) of the Social Security Act is amended by inserting "Illinois," after "Georgia,'".

TAXATION OF CERTAIN EARNINGS OF RETIRED PARTNER

Sec. 118. (a) Section 1402 (a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out "and" at the end of paragraph (8); 
(2) by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and"; and 
(3) by inserting after paragraph (9) the following new paragraph:
" (10) there shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary of the Treasury or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner’s death, if—
" (A) such partner rendered no services with respect to any trade or business carried on by such
partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

"(B) no obligation exists (as of the close of the partnership’s taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

"(C) such partner’s share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership’s taxable year referred to in subparagraph (A)."

(b) Section 211(a) of the Social Security Act is amended—

(1) by striking out “and” at the end of paragraph (7);

(2) by striking out the period at the end of paragraph (8) and inserting in lieu thereof “; and”; and

(3) by inserting after paragraph (8) the following new paragraph:

“(9) There shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed
by the Secretary of the Treasury or his delegate, and
which provides for payments on account of retirement,
on a periodic basis, to partners generally or to a class
or classes of partners, such payments to continue at least
until such partner's death, if—

"(A) such partner rendered no services with
respect to any trade or business carried on by such
partnership (or its successors) during the taxable
year of such partnership (or its successors), ending
within or with his taxable year, in which such
amounts were received, and

"(B) no obligation exists (as of the close of
the partnership's taxable year referred to in sub-
paragraph (A)) from the other partners to such
partner except with respect to retirement payments
under such plan, and

"(C) such partner's share, if any, of the cap-
ital of the partnership has been paid to him in full
before the close of the partnership's taxable year
referred to in subparagraph (A)."

(c) The amendments made by this section shall apply
only with respect to taxable years ending on or after De-

1967.
PART 3—HEALTH INSURANCE BENEFITS

METHOD OF PAYMENT TO PHYSICIANS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 125. (a) Section 1842 (b) (3) (B) of the Social Security Act is amended—

(1) by striking out “(i)”; and

(2) by striking out “and (ii)” and all that follows and inserting in lieu thereof the following: “and such payment will be made—

“(i) on the basis of a receipted bill; or

“(ii) on the basis of an assignment under the terms of which the reasonable charge is the full charge for the service; or

“(iii) on the basis of an itemized bill (I) to the physician or other person providing the service, if such bill is submitted by him in such form and manner as the Secretary may prescribe and within such time as may be specified in regulations and the full charge is found not to exceed the reasonable charge for the service, or (II) to the individual receiving the service, if payment is not made in accordance with clause (I) (either because the charge made is found to exceed the reasonable charge).
charge for the service, or because the physician or
other person providing the service fails to submit
the bill under clause (I) within the time specified
or directs that payment be made to the individual
receiving the service) and the bill is submitted in
such form and manner as the Secretary may pre-
scribe;
but only if the bill is submitted, or a written request for
payment is made in such other form as may be per-
mitted under regulations, no later than the close of the
calendar year following the year in which such service
is furnished (deeming any service furnished in the last
3 months of any calendar year to have been furnished
in the succeeding calendar year);
(b) The amendments made by subsection (a) shall
apply with respect to payments made under part B of title
XVIII of the Social Security Act on the basis of bills re-
ceived after December 31, 1967.

ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICA-
TION IN CASE OF CERTAIN HOSPITAL SERVICES

Sec. 126. (a) Section 1814 (a) of the Social Security
Act (as amended by section 129 (c) (5) of this Act) is
amended—
(1) by striking out subparagraph (A) of paragraph (2);

(2) by redesignating subparagraphs (B), (C), (D), and (E) of paragraph (2) as subparagraphs (A), (B), (C), and (D), respectively;

(3) by redesignating paragraphs (3), (4), (5), and (6) as paragraphs (4), (5), (6), and (7), respectively;

(4) by inserting immediately after paragraph (2) the following new paragraph:

"(3) with respect to inpatient hospital services (other than inpatient psychiatric hospital services and inpatient tuberculosis hospital services) which are furnished over a period of time, a physician certifies that such services are required to be given on an inpatient basis for such individual’s medical treatment, or that inpatient diagnostic study is medically required and such services are necessary for such purpose, except that (A) such certification shall be furnished only in such cases, with such frequency, and accompanied by such supporting material, appropriate to the cases involved, as may be provided by regulations, and (B) the first such
certification required in accordance with clause (A) shall be furnished no later than the 20th day of such period;”; and

(5) by striking out “(D), or (E)” in the last sentence and inserting in lieu thereof “or (D)”.

(b) Section 1835 (a) (2) (B) of such Act is amended by inserting after “medical and other health services,” the following: “except services described in subparagraphs (B) and (C) of section 1861 (s) (2),”.

(c) The amendments made by this section shall apply with respect to services furnished after the date of the enactment of this Act.

**INCLUSION OF PODIATRISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM**

SEC. 127. (a) Section 1861 (r) of the Social Security Act is amended—

(1) by striking out “or (2)” and inserting in lieu thereof “(2)”; and

(2) by inserting before the period at the end thereof the following: “, or (3) except for the purposes of section 1814 (a), section 1835, and subsection (k) of this section, a doctor of podiatry or surgical chiropody, but (unless clause (1) of this subsection also applies to him) only with respect to functions which he is legally author-
ized to perform as such by the State in which he per-
forms them”.
(b) Section 1862 (a) of such Act is amended—
(1) by striking out “or” at the end of paragraph
(11);
(2) by striking out the period at the end of para-
graph (12) and inserting in lieu thereof “; or”; and
(3) by adding after paragraph (12) the follow-
ing new paragraph:
“(13) where such expenses are for—
“(A) the treatment of flat foot conditions and
the prescription of supportive devices therefor,
“(B) the treatment of subluxations of the foot,
or
“(C) routine foot care (including the cutting
or removal of corns, warts, or calluses, the trimming
of nails, and other routine hygienic care).”
(c) The amendments made by subsections (a) and
(b) shall apply with respect to services furnished after
December 31, 1967.

EXCLUSION OF CERTAIN SERVICES

Sec. 128. Section 1862 (a) (7) of the Social Security
Act is amended by inserting after “changing eyeglasses,” the
following: “procedures performed (during the course of any
eye examination) to determine the refractive state of the eyes, ".

TRANSFER OF ALL OUTPATIENT HOSPITAL SERVICES TO SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 129. (a) Section 1861 (s) (2) of the Social Security Act is amended—

(1) by inserting "(A)" after "(2)";

(2) by striking out "physicians' bills" and all that follows and inserting in lieu thereof the following: "physicians' bills;

"(B) hospital services (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) incident to physicians' services rendered to outpatients; and

"(C) diagnostic services which are—

"(i) furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital, and

"(ii) ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study;".

(b) Section 1861 (s) of such Act is further amended by adding at the end thereof (after and below paragraph (11)) the following new sentence:

"There shall be excluded from the diagnostic services speci-
fied in paragraph (2) (C) any item or service (except services referred to in paragraph (1)) which—

“(12) would not be included under subsection (b) if it were furnished to an inpatient of a hospital; or

“(13) is furnished under arrangements referred to in such paragraph (2) (C) unless furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff.”

(c) (1) Section 226 (b) (1) of such Act is amended by striking out “post-hospital home health services, and outpatient hospital diagnostic services” and inserting in lieu thereof “and post-hospital home health services”.

(2) Section 1812 (a) of such Act is amended—

(A) by adding “and” at the end of paragraph (2);

(B) by striking out “; and” at the end of paragraph (3) and inserting in lieu thereof a period; and

(C) by striking out paragraph (4).

(3) Section 1813 (a) of such Act is amended by striking out paragraph (2), and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(4) (A) Section 1813 (b) (1) of such Act is amended by striking out “or diagnostic study”.

(B) The first sentence of section 1813 (b) (2) of such Act is amended by striking out “or diagnostic study”.

(5) (A) Section 1814 (a) (2) of such Act is amended—
(i) by adding “or” at the end of subparagraph (D);
(ii) by striking out “or” at the end of subparagraph (E); and
(iii) by striking out subparagraph (F).

(B) The last sentence of section 1814(a) of such Act is amended by striking out “(E), or (F)” and inserting in lieu thereof “or (E)”.

(6) Section 1814(d) of such Act is amended by striking out “or outpatient hospital diagnostic services”.

(7) Section 1833(b) of such Act is amended—

(A) by striking out “(or regarded under clause (2) as incurred in such preceding year with respect to services furnished in such last three months)” and inserting in lieu thereof a period;

(B) by striking out “, and (2)” and all that follows and inserting in lieu thereof a period.

(8) Section 1833(d) of such Act is amended by striking out “other than subsection (a) (2) (A) thereof”.

(9) (A) Section 1835(a) of such Act is amended by striking out “Payment” and inserting in lieu thereof “Except as provided in subsection (b), payment”.

(B) Section 1835 of such Act is further amended by redesignating subsection (b) as subsection (c), and by inserting after subsection (a) the following new subsection:

“(b) Payment may also be made to any hospital for
services described in subparagraph (C) of section 1861 (s)
(2) furnished to an individual entitled to benefits under this
part 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 here­
under. Such payments shall be made only in the amounts
provided under section 1833 (a) (2) and then only if such
hospital agrees to comply, with respect to the emergency
services provided, with the provisions of section 1866 (a).”
(C) Section 1861 (e) of such Act is amended—
(i) by striking out “except for purposes of sec­
tion 1814 (d),” and inserting in lieu thereof “except
for purposes of sections 1814 (d) and 1835 (b),”; and
(ii) by striking out “(including determination of
whether an individual received inpatient hospital serv­
ices for purposes of such section)” and inserting in lieu
thereof “and 1835 (b) (including determination of
whether an individual received inpatient hospital serv­
ices or diagnostic services for purposes of such sections)”. (10) Section 1861 (p) of such Act is repealed.
(11) Section 1861 (y) (3) of such Act is amended by
striking out “1813 (a) (4)” and inserting in lieu thereof
“1813 (a) (3)”.
1  (12) (A) Section 1866 (a) (2) (A) of such Act is amended—
2      (i) by striking out “, (a) (2), or (a) (4)” and
3      inserting in lieu thereof “or (a) (3)” ; and
4      (ii) by striking out “or, in the case of outpatient
5         hospital diagnostic services, for which payment is made
6         under part A”.
7  (B) Section 1866 (a) (2) (C) of such Act is amended
8      by striking out “1813 (a) (3)” and inserting in lieu thereof
9      “1813 (a) (2)”.
10  (13) Section 21 (a) of the Railroad Retirement Act
11      of 1937 is amended by striking out “post-hospital home
12      health services, and outpatient hospital diagnostic services”
13      and inserting in lieu thereof “and post-hospital home health
14      services”.
15      (d) The amendments made by this section shall apply
16      with respect to services furnished after December 31, 1967.
17
18  BILLING BY HOSPITAL FOR SERVICES FURNISHED TO
19  OUTPATIENTS
20  
21  sec. 130. (a) Section 1835 (a) of the Social Security
22      Act (as amended by section 129 (c) (9) (A) of this Act)
23      is further amended by striking out “Except as provided in
24      subsection (b),” and inserting in lieu thereof “Except as
provided in subsections (b) and (c)".

(b) Section 1835 of such Act (as amended by section 129 (c) (9) (B) of this Act) is amended by redesignating subsection (c) (as redesignated) as subsection (d), and by inserting after subsection (b) the following new subsection:

"(c) Notwithstanding the provisions of this section and sections 1832, 1833, and 1866 (a) (1) (A), a hospital may, subject to such limitations as may be prescribed by regulations, collect from an individual the customary charges for services specified in subparagraphs (B) and (C) of section 1861 (s) (2) and furnished to him by such hospital, but only if such charges for such services do not exceed $50, and such customary charges shall be regarded as expenses incurred by such individual with respect to which benefits are payable in accordance with section 1833 (a) (1). Payments under this title to hospitals which have elected to make collections from individuals in accordance with the preceding sentence shall be adjusted periodically to place the hospital in the same position it would have been had it instead been reimbursed in accordance with section 1833 (a) (2)."

(c) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.
PAYMENT OF REASONABLE CHARGES FOR RADIOLOGICAL OR PATHOLOGICAL SERVICES FURNISHED BY CERTAIN PHYSICIANS TO HOSPITAL INPATIENTS

Sec. 131. (a) Section 1833(a) (1) of the Social Security Act is amended—

(1) by striking out “except that” and inserting in lieu thereof “except that (A)”, and

(2) by striking out “of subsection (b)” and inserting in lieu thereof “of subsection (b), and (B) with respect to expenses incurred for radiological or pathological services for which payment may be made under this part, furnished to an inpatient of a hospital by a physician in the field of radiology or pathology, the amounts paid shall be equal to 100 percent of the reasonable charges for such services”.

(b) Section 1833(b) of such Act (as amended by section 129(c)(7) of this Act) is amended by inserting before the period at the end thereof the following: “, and (2) such total amount shall not include expenses incurred for radiological or pathological services furnished to such individual as an inpatient of a hospital by a physician in the field of radiology or pathology”.

(c) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.
PAYMENT FOR PURCHASE OF DURABLE MEDICAL EQUIPMENT

SECT. 132. (a) Section 1861(s)(6) of the Social Security Act is amended by striking out "rental of", and by inserting before the semicolon at the end thereof the following: "whether furnished on a rental basis or purchased".

(b) Section 1833 of such Act is amended by adding at the end thereof the following new subsection:

"(f) In the case of the purchase of durable medical equipment included under section 1861(s)(6), by or on behalf of an individual, payment shall be made in such amounts as the Secretary determines to be equivalent to payments that would have been made under this part had such equipment been rented and over such period of time as the Secretary finds such equipment would be used for such individual's medical treatment, except that with respect to purchases of inexpensive equipment (as determined by the Secretary) payment may be made in a lump sum if the Secretary finds that such method of payment is less costly or more practical than periodic payments."

(c) The amendments made by this section shall apply only with respect to items purchased after December 31, 1967.
PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED
BY HOSPITAL TO OUTPATIENTS

SEC. 133. (a) Subparagraph (B) of section 1861 (s)
(2) of the Social Security Act (as amended by section
129 (a) (2) of this Act) is amended by striking out “; and”
and inserting in lieu thereof “and physical therapy furnished
to an outpatient, in a place of residence used as such out-
patient’s home, by a hospital or by others under arrangements
with them made by such hospital if such therapy is under
the supervision of such hospital; and”.

(b) The amendment made by subsection (a) shall
apply to services furnished after December 31, 1967.

PAYMENT FOR CERTAIN PORTABLE X-RAY SERVICES

SEC. 134. (a) Section 1861 (s) (3) of the Social Secu-
ritv Act is amended by striking out “diagnostic X-ray tests,”
and inserting in lieu thereof the following: “diagnostic X-ray
tests (including tests under the supervision of a physi-
cian, furnished in a place of residence used as the patient’s
home, if the performance of such tests meets such condi-
tions relating to health and safety as the Secretary may find
necessary),”.

(b) The amendment made by subsection (a) shall
apply with respect to services furnished after December 31,
1967.
SEC. 1235. (a) (1) Section 1813 (a) (2) of the Social Security Act (as redesignated by section 129 (c) (3) of this Act) is amended to read as follows:

"(2) 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 a deduction equal to the cost of the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to him as part of such services during such spell of illness."

(b) Section 1866 (a) (2) (C) of such Act (as amended by section 129 (c) (12) (B) of this Act) is amended—

(1) by striking out "may also charge" and inserting in lieu thereof "may in accordance with its customary practice also appropriately charge";

(2) by inserting after "whole blood" the following:

"(or equivalent quantities of packed red blood cells, as defined under regulations)"

(3) by inserting after "blood" where it appears in clauses (i), (ii), and (iii) the following: "(or equivalent quantities of packed red blood cells, as so defined)"; and

(4) by adding at the end thereof the following new
sentence: "For purposes of clause (iii) of the preceding sentence, whole blood (or equivalent quantities of packed red blood cells, as so defined) furnished an individual shall be deemed replaced when the provider of services is given one pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is imposed under section 1813 (a) (2)."

(c) Section 1833 (b) of such Act (as amended by sections 129 (c) (7) and 131 (b) of this Act) is amended by adding at the end thereof the following new sentence: "The total amount of the expenses incurred by an individual as determined under the preceding sentence shall, after the reduction specified in such sentence, be further reduced by an amount equal to the expenses incurred for the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to the individual during the calendar year, except that such deductible for such blood shall in accordance with regulations be appropriately reduced to the extent that there has been a replacement of such blood (or equivalent quantities of packed red blood cells, as so defined); and for such purposes blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual shall be
deemed replaced when the institution or other person furnishing such blood (or such equivalent quantities of packed red blood cells, as so defined) is given one pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is made under this sentence.

(d) The amendments made by this section shall apply with respect to payment for blood (or packed red blood cells) furnished an individual after December 31, 1967.

ENROLLMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM BASED ON ALLEGED DATE OF ATTAINING AGE 65

SEC. 136. (a) Section 1837(d) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Where the Secretary finds that an individual who has attained age 65 failed to enroll under this part during his initial enrollment period (based on a determination by the Secretary of the month in which such individual attained age 65), because such individual (relying on documentary evidence) was mistaken as to his correct date of birth, the Secretary shall establish for such individual an initial enrollment period based on his attaining age 65 at the time shown in such documentary evidence (with a coverage
period determined under section 1838 as though he had attained such age at that time)."

(b) The amendment made by subsection (a) shall apply to individuals enrolling under part B of title XVIII in months beginning after the date of the enactment of this Act.

EXTENSION OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES TO 120 DAYS

Sec. 137. (a) (1) Section 1812(a)(1) of the Social Security Act is amended by striking out "up to 90 days" and inserting in lieu thereof "up to 120 days".

(2) Section 1812(b)(1) of such Act is amended by striking out "for 90 days" and inserting in lieu thereof "for 120 days".

(b) The second sentence of section 1813(a)(1) of such Act is amended to read as follows: "Such amount shall be further reduced by a coinsurance amount equal to—

"(A) one-fourth of the 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; and

"(B) one-half of the inpatient hospital deductible for each day (before the 121st day) on which such individual is furnished such services during such spell of
illness after such services have been furnished to him for 90 days during such spell;
except that the reduction under this sentence for any day shall not exceed the charges imposed for that day 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)."
(c) The amendments made by subsections (a) and (b) shall apply with respect to services furnished after December 31, 1967.

LIMITATION ON SPECIAL REDUCTION IN ALLOWABLE DAYS OF INPATIENT HOSPITAL SERVICES

Sec. 138. (a) Section 1812 (c) of the Social Security Act is amended by striking out "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 inserting in lieu thereof "in the 120-day period immediately before such first day shall be included in determining the 120-day limit under subsection (b) (1) insofar as such limit applies to (1) inpatient psychiatric hospital services and inpatient tuberculosis hospital services, or..."
(2) inpatient hospital services for an individual who is an inpatient primarily for the diagnosis or treatment of mental illness or tuberculosis (but shall not be included in determining such 120-day limit insofar as it applies to other inpatient hospital services or in determining the 190-day limit under subsection (b) (3)).

(b) The amendment made by subsection (a) shall apply with respect to payment for services furnished after December 31, 1967.

TRANSITIONAL PROVISION ON ELIGIBILITY OF PRESENTLY UNINSURED INDIVIDUALS FOR HOSPITAL INSURANCE BENEFITS

Sec. 139. Section 103 (a) (2) of the Social Security Amendments of 1965 is amended by striking out "1965" in clause (B) and inserting in lieu thereof "1966".

ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT

Sec. 140. (a) The Secretary of Health, Education, and Welfare shall appoint an Advisory Council to study the need for coverage of the disabled under the health insurance program of title XVIII of the Social Security Act.

(b) The Council shall be appointed by the Secretary during 1968 without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and shall consist of 12 persons who shall, to
the extent possible, represent organizations of employers and employees in equal numbers, and represent self-employed persons and the public.

(c) The Council 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.

(d) Members of the Council, while serving on the 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 5703 of title 5, United States Code, for persons in the Government employed intermittently.

(e) The Council shall make findings on the unmet need of the disabled for health insurance, on the costs involved in providing the disabled with insurance protection to cover the cost of hospital and medical services, and on the ways of financing this insurance. The Council shall submit a report of its findings to the Secretary not later than January 1, 1969, together with recommendations on how such protec-
tion should be financed and, if such financing is to be accomplished through the trust funds established under title XVIII of the Social Security Act, on the extent to which each of such trust funds should bear the cost of such financing. Such report shall thereupon be transmitted to the Congress and to the Boards of Trustees created by sections 1817 (b) and 1841 (b) of the Social Security Act. After the date of transmittal to the Congress of the report, the Council shall cease to exist.

STUDY TO DETERMINE FEASIBILITY OF INCLUSION OF CERTAIN ADDITIONAL SERVICES UNDER PART B OF TITLE XVIII OF THE SOCIAL SECURITY ACT

Sec. 141. The Secretary shall make a study relating to the inclusion under the supplementary medical insurance program (part B of title XVIII of the Social Security Act) of services of additional types of licensed practitioners performing health services in independent practice. The Secretary shall make a report to the Congress prior to January 1, 1969, of his finding with respect to the need for covering, under the supplementary medical insurance program, any of the various types of services such practitioners perform and the costs to such program of covering such additional services, and shall make recommendations as to the priority and method for covering these services and the measures that should be adopted to protect the health and
safety of the individuals to whom such services would be
furnished.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

ELIGIBILITY OF ADOPTED CHILD FOR MONTHLY

BENEFITS

SEC. 150. (a) The second sentence of section 216 (e) of the Social Security Act is amended by striking out “before the end of two years after the day on which such individual died or the date of enactment of this Act” and inserting in lieu thereof “only if (A) proceedings for the adoption of the child had been instituted by such individual before his death, or (B) such child was adopted by such individual’s surviving spouse before the end of two years after (i) the day on which such individual died or (ii) the date of enactment of the Social Security Amendments of 1958”.

(b) The amendment made by subsection (a) shall apply with respect to monthly benefits payable 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 an application filed in or after the month in which this Act is enacted.

CRITERIA FOR DETERMINING CHILD’S DEPENDENCY ON MOTHER

SEC. 151. (a) Section 202 (d) (3) of the Social Se-

curity Act is amended—
(1) by inserting “or his mother or adopting moth-
er” after “his father or adopting father” in the first sentence; and

(2) by striking out “, if such individual is the
child’s father,” in the second sentence.

(b) Section 202 (d) (4) of such Act is amended by
inserting “or stepmother” after “stepfather” each place it appears.

(c) Section 202 (d) of such Act is further amended by
striking out paragraph (5), and by redesignating para-
graphs (6) through (10) as paragraphs (5) through (9), respectively.

(d) (1) The paragraph of section 202 (d) of such Act
redesignated as paragraph (9) by subsection (c) of this section is amended by striking out “under paragraph (9)” and inserting in lieu thereof “under paragraph (8)”.

(2) Paragraphs (2) and (3) of section 202 (s) of such Act are each amended by striking out “(d) (6),” and inserting in lieu thereof “(d) (5),”.

(3) Section (5) (1) (1) of the Railroad Retirement Act of 1937 is amended—

(A) by striking out “(3), (4), or (5)” in the third sentence and inserting in lieu thereof “(3) or (4)”; and
(B) by striking out "paragraph (8)" in the ninth sentence and inserting in lieu thereof "paragraph (7)".

(e) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act (and annuities accruing under the Railroad Retirement Act of 1937) 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.

UNDERPAYMENTS

SEC. 152. (a) Section 204 (d) of the Social Security Act is amended to read as follows:

"(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(2) if there is no person who meets the requirements of paragraph (1), or if the person who meets such requirements dies before the payment due him
under this title is completed, to the child or children, if
any, of the deceased individual who were, for the month
in which the deceased individual died, entitled to monthly
benefits on the basis of the same wages and self-em-
ployment income as was the deceased individual (and,
in case there is more than one such child, in equal parts
to each such child);

“(3) if there is no person who meets the require-
ments of paragraph (1) or (2), or if each person who
meets such requirements dies before the payment due
him under this title is completed, to the parent or parents,
if any, of the deceased individual who were, for the
month in which the deceased individual died, entitled
to monthly benefits on the basis of the same wages and
self-employment income as was the deceased individual
(and, in case there is more than one such parent, in
equal parts to each such parent);

“(4) if there is no person who meets the require-
ments of paragraph (1), (2), or (3), or if each person
who meets such requirements dies before the payment
due him under this title is completed, to the legal repre-
sentative of the estate of the deceased individual;

“(5) if there is no person who meets the require-
ments of paragraph (1) (2), (3), or (4), or if each
person who meets such requirements dies before the pay-
ment due him under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual; or

“(6) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), or (5), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual (and, in case there is more than one such child, in equal parts to each such child).”

(b) The heading of section 1870 of such Act is amended by adding at the end thereof “AND SETTLEMENT OF CLAIMS FOR BENEFITS ON BEHALF OF DECEASED INDIVIDUALS”.

(c) Section 1870 of such Act is amended by adding after subsection (d) the following new subsections:

“(e) If an individual who received medical and other health services for which payment may be made under section 1832 (a) (1) dies, and payment for such services was made (other than under this title) and the individual died before any payment due with respect to such services was completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

“(1) if the payment for such services was made by a person other than the deceased individual, to the
person or persons determined by the Secretary under regulations to have paid for such services; or

“(2) if the payment for such services was made by the deceased individual before his death, or if there is no person to whom payment can be made under paragraph (1) (or each such person dies before such payment is completed)—

“(A) to the legal representative of the estate of such deceased individual, if any;

“(B) if there is no legal representative, 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;

“(C) if there is no person who meets the requirements of subparagraph (A) or (B), or if each person who meets such requirements dies before the payment due him under this title is completed, to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit under title II on the basis of the same wages and self-employment income as was the deceased individual; or

“(D) if there is no person who meets the requirements of subparagraph (A), (B) or (C), or
if each person who meets such requirements dies
before the payment due him under this title is com-
pleted, to the person or persons, if any, determined
by the Secretary to be the child or children of such
deceased individual (and in case there is more than
one such child, in equal parts to each such child).

“(f) If an individual who received medical and other
health services for which payment may be made under sec-
tion 1832 (a) (1) dies, and—

“(1) no assignment of the right to payments was
made by such individual before his death, and

“(2) payment for such services has not been made,

payment for such services shall be made to the physician or
other person who provided such services, but payment shall
be made under this subsection only in such amount and sub-
ject to such conditions as would have been applicable if the
individual who received the services had not died, and only
if the person or persons who provided the services agrees
that the reasonable charge is the full charge for the services.”

(d) Section 1842 (b) (3) (B) of such Act (as amended
by section 128 (a) of this Act) is amended by striking out
“and such payment will be made” and inserting in lieu
thereof “and such payment will (except as otherwise pro-
vided in section 1870 (f) ) be made”.
SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTERS OF COVERAGE IN CASE OF 1937-1950 WAGES

Sec. 153. (a) (1) Section 215 (d) (1) of the Social Security Act is amended to read as follows:

"Primary Insurance Benefit Under 1939 Act

"(d) (1) For purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as follows:

"(A) The individual's average monthly wage shall be determined as provided in subsection (b) (but without regard to paragraph (4) thereof) of this section, except that for purposes of paragraph (2) (C) and (3) of such subsection, 1936 shall be used instead of 1950.

"(B) For purposes of subparagraphs (B) and (C) of subsection (b) (2), an individual whose total wages prior to 1951 (as defined in subparagraph (C) of this subsection) —

"(i) do not exceed $27,000 shall be deemed to have been paid such wages in equal parts in nine calendar years after 1936 and prior to 1951;

"(ii) exceed $27,000 and are less than $42,000 shall be deemed to have been paid (I) $3,000 in each of such number of calendar years after 1936 and prior to 1951 as is equal to the
integer derived by dividing such total wages by $3,000, and (II) the excess of such total wages over the product of $3,000 times such integer, in an additional calendar year in such period; or

“(iii) are at least $42,000 shall be deemed to have been paid $3,000 in each of the fourteen calendar years after 1936 and prior to 1951.

“(C) For the purposes of subparagraph (B), ‘total wages prior to 1951’ with respect to an individual means the sum of (i) remuneration credited to such individual prior to 1951 on the records of the Secretary, (ii) wages deemed paid prior to 1951 to such individual under section 217, and (iii) compensation under the Railroad Retirement Act of 1937 prior to 1951 creditable to him pursuant to this title.

“(D) The individual’s primary insurance benefit shall be 45.6 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 11.4 per centum of the next $200 of such average monthly wage.”

(2) Section 215 (d) (2) of such Act is amended to read as follows:

“(2) The provisions of this subsection shall be applicable only in the case of an individual—
“(A) with respect to whom at least one of the
quarters elapsing prior to 1951 is a quarter of coverage;
“(B) except as provided in paragraph (3), who
attained age 22 after 1950 and with respect to whom
less than six of the quarters elapsing after 1950 are
quarters of coverage, or who attained such age before
1951; and
“(C) (i) who becomes entitled to benefits under
section 202 (a) or 223 after the date of the enactment
of the Social Security Amendments of 1967, or
“(ii) who dies on or after such date without being
entitled to benefits under section 202 (a) or 223, or
“(iii) whose primary insurance amount is required
to be recomputed under section 215 (f) (2).”
(3) Section 215 (d) (3) of such Act is amended to
read as follows:
“(3) The provisions of this subsection as in effect prior
to the enactment of the Social Security Amendments of
1967 shall be applicable in the case of an individual—
“(A) who attained age 21 after 1936 and prior
to 1951, or
“(B) who had a period of disability which began
prior to 1951, but only if the primary insurance amount
resulting therefrom is higher than the primary insur-
ance amount resulting from the application of this
section (as amended by the Social Security Amend-
ments of 1967) and section 220.”.

(4) So much of section 215(f)(2) of such Act as
precedes subparagraph (E) is amended to read as follows:

“(2) If an individual has wages or self-employment
income for a year after 1965 for any part of which he 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 such individual’s primary
insurance amount with respect to each such year. Such
recomputation shall be made as provided in subsection
(a) (1) and (3) as though the year with respect to which
such recomputation is made is the last year of the period
specified in subsection (b) (2) (C). A recomputation under
this paragraph with respect to any year shall be effective—”

(5) Subparagraphs (E) and (F) of such section
215(f)(2) are redesignated as subparagraphs (A) and
(B), respectively.

(6) Section 215(f) of such Act is further amended by
adding at the end thereof the following new paragraph:

“(5) In the case of a man who became entitled to
old-age insurance benefits and died before the month in
which he attained age 65, the Secretary shall recompute
his primary insurance amount as provided in subsection (a)
as though he became entitled to old-age insurance benefits
in the month in which he died; except that (i) his computation base years referred to in subsection (b) (2) shall include the year in which he died, and (ii) his elapsed years referred to in subsection (b) (3) shall not include the year in which he died or any year thereafter. Such recomputation of such primary insurance amount shall be effective for and after the month in which he died.”

(7) (A) The amendments made by paragraphs (4) and (5) shall apply with respect to recomputations made under section 215 (f) (2) of the Social Security Act after the date of the enactment of this Act.

(B) The amendment made by paragraph (6) shall apply with respect to individuals who die after the date of enactment of this Act.

(8) In any case in which—

(A) any person became entitled to a monthly benefit under section 202 or 223 of the Social Security Act after the date of enactment of this Act and before the second month following the month in which this Act is enacted, and

(B) the primary insurance amount on which the amount of such benefit is based was determined by applying section 215 (d) of the Social Security Act as amended by this Act,

such primary insurance amount shall, for purposes of section
215(c) of the Social Security Act, as amended by this Act, be deemed to have been computed on the basis of the Social Security Act in effect prior to the enactment of this Act.

(9) The amendment made by paragraphs (1) and (2) shall not apply with respect to monthly benefits for any month prior to January 1967.

(b) (1) Section 213 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Alternative Method for Determining Quarters of Coverage With Respect to Wages in the Period from 1937 to 1950"

"(c) For purposes of section 214(a), an individual shall be deemed to have one quarter of coverage for each $400 of his total wages prior to 1951 (as defined in section 215(d)(1)(C)), except where—

"(1) such individual is not a fully insured individual on the basis of the number of quarters of coverage so derived plus the number of quarters of coverage derived from the wages and self-employment income credited to him for periods after 1950, or

"(2) such individual's elapsed years (for purposes of section 214(a)(1)) are less than 7."

(2) The amendment made by paragraph (1) shall
apply only in the case of an individual who applies for benefits under section 202 (a) of the Social Security Act in or after the month of the enactment of this Act, or who dies in or after such month without being entitled to benefits under section 202 (a) or 223 of the Social Security Act.

(c) Section 303 (g) (1) of the Social Security Amendments of 1960 is amended—

(1) by striking out "section 302 of" and by striking out "Amendments of 1965" and inserting in lieu thereof "Amendments of 1965 and 1967" in the first sentence; and

(2) by striking out "after 1965, or dies after 1965" and inserting in lieu thereof "after the date of the enactment of the Social Security Amendments of 1967, or dies after such date", and by striking out "Amendments of 1965" and inserting in lieu thereof "Amendments of 1967", in the second sentence.

DEFINITIONS OF WIDOW, WIDOWER, AND STEPCHELDR

Sec. 154. (a) Section 216 (c) of the Social Security Act is amended by striking out "not less than one year" in clause (5) and inserting in lieu thereof "not less than nine months".

(b) The first sentence of section 216 (e) of such Act is amended by striking out "the day on which such indi-
individual died" and inserting in lieu thereof "not less than
nine months immediately preceding the day on which such
individual died".

(c) Section 216 (g) of such Act is amended by striking
out "not less than one year" in clause (5) and inserting
in lieu thereof "not less than nine months".

(d) Section 216 of such Act is further amended by add-
ing at the end thereof the following new subsection:

"Waiver of Nine-Month Requirement for Widow, Stepchild,
or Widower in Case of Accidental Death or in Case
of Serviceman Dying in Line of Duty

"(k) The requirement in clause (5) of subsection (c)
or clause (5) of subsection (g) that the surviving spouse of
an individual have been married to such individual for a
period of not less than nine months immediately prior to the
day on which such individual died in order to qualify as such
individual’s widow or widower, and the requirement in sub-
section (e) that the stepchild of a deceased indi-
vidual have been such stepchild for not less than nine months
immediately preceding the day on which such individual died
in order to qualify as such individual’s child, shall be deemed
to be satisfied, where such individual dies within the applica-
ble nine-month period, if his death—

"(1) is accidental, or
“(2) occurs in line of duty while he is a member of a uniformed service serving on active duty (as defined in section 210(1)(2)), and he would satisfy such requirement if a three-month period were substituted for the nine-month period; except that this subsection shall not apply if the Secretary determines that at the time of the marriage involved the individual could not have reasonably been expected to live for nine months. For purposes of paragraph (1) of the preceding sentence, the death of an individual is accidental if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, loses his life not later than three months after the day on which he receives such bodily injuries.”

(e) The amendments made by this section shall apply with respect to 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, but only on the basis of applications filed in or after the month in which this Act is enacted.
HUSBAND'S AND WIDOWER'S INSURANCE BENEFITS WITHOUT REQUIREMENT OF WIFE'S CURRENTLY INSURED STATUS

SEC. 155. (a) (1) Section 202 (c) (1) of the Social Security Act is amended by striking out "a currently insured individual (as defined in section 214 (b))" in the matter preceding subparagraph (A) and inserting in lieu thereof "an individual".

(2) Section 202 (c) (2) of such Act is amended by striking out "The requirement in paragraph (1) that the individual entitled to old-age or disability insurance benefits be a currently insured individual, and the provisions of subparagraph (C) of such paragraph," and inserting in lieu thereof "The provisions of subparagraph (C) of paragraph (1)".

(b) (1) Section 202 (f) (1) of such Act is amended—

(A) by striking out "and currently" in the matter preceding subparagraph (A), and

(B) by striking out "; and she was a currently insured individual," in subparagraph (D) (ii).

(2) Section 202 (f) (2) of such Act is amended by striking out "The requirement in paragraph (1) that the
deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph,” and inserting in lieu thereof “The provisions of subparagraph (D) of paragraph (1)”. (c) In the case of any husband who would not be entitled to husband’s insurance benefits under section 202 (c) of the Social Security Act or any widower who would not be entitled to widower’s insurance benefits under section 202 (f) of such Act except for the enactment of this section, the requirement in section 202 (c) (1) (C) or 202 (f) (1) (D) of such Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed within two years after the month following the month in which this Act is enacted. (d) The amendments made by this section shall apply with respect to monthly benefits payable 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.

DEFINITION OF DISABILITY

SEC. 156. (a) Section 223 (c) of the Social Security Act is amended— (1) by inserting “of Insured Status and Waiting Period” after “Definitions” in the heading;
(2) by striking out paragraph (2); and

(3) by redesignating paragraph (3) as paragraph (2).

(b) Section 223 of such Act is further amended by adding at the end thereof the following new subsection:

“Definition of Disability

“(d) (1) 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

“(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.

“(2) For purposes of paragraph (1) (A)—

“(A) an individual (except a widow, surviving divorced wife, or widower for purposes of section 202 (e) or (f)) shall be determined to be under a disability
only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

“(B) A widow, surviving divorced wife, or widower shall not be determined to be under a disability (for purposes of section 202 (e) or (f)) unless his or her physical or mental impairment or impairments are of a level of severity which under regulations prescribed by the Secretary are deemed to be sufficient to preclude an individual from engaging in any gainful activity.

“(3) For purposes of this subsection, a ‘physical or mental impairment’ is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

“(4) The Secretary shall by regulations prescribe the criteria for determining when services performed or earnings derived from services demonstrate an individual’s ability to
engage in substantial gainful activity. Notwithstanding the provisions of paragraph (2), an individual whose services or earnings meet such criteria shall, except for purposes of section 222 (c), be found not to be disabled.

"(5) An individual shall not be considered to be under a disability unless he furnishes such medical and other evidence of the existence thereof as the Secretary may require."

(c) (1) Section 202 (d) (1) (B) of such Act is amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(2) Paragraphs (1), (2), and (3) of section 202 (s) of such Act are each amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(3) Section 221 (a) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(4) Section 221 (c) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(5) Section 222 (c) (4) (B) of such Act is amended by striking out "section 223 (c) (2)" and inserting in lieu thereof "section 223 (d)".

(6) Section 223 (a) (1) (D) of such Act is amended by striking out "subsection (c) (2)" and inserting in lieu thereof "subsection (d)".

(7) The first sentence of section 223 (a) (1) of such
Act is further amended by striking out “subsection (c) (3)” and inserting in lieu thereof “subsection (o) (2)”.

(8) The last sentence of section 223 (a) (1) is amended by striking out “subsection (c) (2) except for subparagraph (B) thereof” and inserting in lieu thereof “subsection (d) except for paragraph (1) (B) thereof”.

(9) Section 225 of such Act is amended by striking out “section 223 (c) (2)” and inserting in lieu thereof “section 223 (d)”.

(d) Section 216 (i) (1) of such Act is amended by striking out the third sentence and inserting in lieu thereof the following: “The provisions of paragraphs (2) (A), (3), (4), and (5) of section 223 (d) shall be applied for purposes of determining whether an individual is under a disability within the meaning of the first sentence of this paragraph in the same manner as they are applied for purposes of paragraph (1) of such section.”

(e) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, and for disability determinations under section 216 (i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or
(2) before the month in which this Act is enacted
if the applicant has not died before such month and if—
(A) notice of the final decision of the Secretary
of Health, Education, and Welfare has not been
given to the applicant before such month; or
(B) the notice referred to in subparagraph
(A) has been so given before such month but a civil
action with respect to such final decision is com-
menced 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.

DISABILITY BENEFITS AFFECTED BY RECEIPT OF WORK-
MEN'S COMPENSATION

SEC. 157. (a) (1) The last sentence of section 224 (a)
of the Social Security Act is amended by inserting after "his
wages and self-employment income" where it first appears
in clause (B) the following: "(computed without regard
to the limitations specified in sections 209 (a) and 211 (b)
(1)) ".

(2) Section 224 (a) of such Act is further amended by
adding at the end thereof the following: "In any case where
an individual's wages and self-employment income reported
to the Secretary for a calendar year reach the limitations
specified in sections 209 (a) and 211 (b) (1), the Secretary under regulations shall estimate the total of such wages and self-employment income for purposes of clause (B) of the preceding sentence on the basis of such information as may be available to him indicating the extent (if any) by which such wages and self-employment income exceed such limitations."

(b) (1) The amendments made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months after the month in which this Act is enacted.

(2) For purposes of any redetermination which is made under section 224 (f) of the Social Security Act in the case of benefits subject to reduction under section 224 of such Act, where such reduction as first computed was effective with respect to benefits for the month in which this Act is enacted or a prior month, the amendment made by subsection (a) of this section shall also be deemed to have applied in the initial determination of the "average current earnings" of the individual whose wages and self-employment income are involved.

EXTENSION OF TIME FOR FILING REPORTS OF EARNINGS

SEC. 158. (a) Section 203 (h) (1) (A) of the Social Security Act is amended by adding at the end thereof the following new sentence: "The Secretary may grant a reason-
able extension of time for making the report of earnings re-
quired in this paragraph if he finds that there is valid reason
for a delay, but in no case may the period be extended more
than three months.”

(b) Section 203(h)(2) of such Act is amended by
striking out “within the time prescribed therein” and in-
serting in lieu thereof “within the time prescribed by or in
accordance with such paragraph”.

PENALTIES FOR FAILURE TO FILE TIMELY REPORTS
OF EARNINGS AND OTHER EVENTS

SEC. 159. (a) Section 203(h)(2)(A) of the Social
Security Act is amended by inserting before the semicolon
at the end thereof the following: “, except that if the de-
duction imposed under subsection (b) by reason of his earn-
ings for such year is less than the amount of his benefit (or
benefits) for the last month of such year for which he was
entitled to a benefit under section 202, the additional deduc-
tion shall be equal to the amount of the deduction imposed
under subsection (b) but not less than $10”.

(b) Section 203(g) of such Act is amended by striking
out all that follows “shall suffer” and inserting in lieu
thereof the following: “deductions in addition to those
imposed under subsection (c) as follows:
“(1) if such failure is the first one with respect to
which an additional deduction is imposed by this sub-
section, such additional deduction shall be equal to his
benefit or benefits for the first month of the period for
which there is a failure to report even though such
failure is with respect to more than one month;

“(2) if such failure is the second one with respect
to which an additional deduction is imposed by this
subsection, such additional deduction shall be equal to
two times his benefit or benefits for the first month of
the period for which there is a failure to report even
though such failure is with respect to more than two
months; and

“(3) if such failure is the third or a subsequent one
for which an additional deduction is imposed under this
subsection, such additional deduction shall be equal to
three times his benefit or benefits for the first month
of the period for which there is a failure to report even
though the failure to report is with respect to more than
three months;

except that the number of additional deductions re-
quired by this subsection shall not exceed the number of
months in the period for which there is a failure to report.

As used in this subsection, the term ‘period for which there
is a failure to report’ with respect to any individual means
the period for which such individual received and
accepted insurance benefits under section 202 without mak-
ing a timely report and for which deductions are required
under subsection (c)."

(c) The amendments made by this section shall apply
with respect to any deductions imposed on or after the date
of the enactment of this Act under subsections (g) and (h)
of section 203 of the Social Security Act on account of failure
to make a report required thereby.

LIMITATION ON PAYMENT OF BENEFITS TO ALIENS OUTSIDE
THE UNITED STATES

SEC. 160. (a) (1) Section 202 (t) (1) of the Social
Security Act is amended by adding at the end thereof (after
and below subparagraph (B) ) the following new sentence:
"For purposes of the preceding sentence, after an individual
has been outside the United States for any period of thirty
consecutive days he shall be treated as remaining outside the
United States until he has been in the United States for a
period of thirty consecutive days."

(2) The amendment made by paragraph (1) shall
apply only with respect to six-month periods (within the
meaning of section 202 (t) (1) (A) of the Social Security
Act) which begin after the date of the enactment of this Act.

(b) (1) Section 202 (t) (4) of such Act is amended--
(A) by striking out the period at the end of sub-
paragraph (E) and inserting in lieu thereof a semi-
colon; and
(B) by adding at the end thereof (after and below subparagraph (E)) the following:

"except that subparagraphs (A) and (B) of this paragraph shall not apply in the case of any individual who is a citizen of a foreign country that has in effect a social insurance or pension system which is of general application in such country and which satisfies subparagraph (A) but not subparagraph (B) of paragraph (2), or who is a citizen of a foreign country that has no social insurance or pension system of general application if at any time within five years prior to the month in which the Social Security Amendments of 1967 are enacted (or the first month thereafter for which his benefits are subject to suspension under paragraph (1)) payments to individuals residing in such country were withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123)."

(2) The amendment made by paragraph (1) shall apply only with respect to monthly benefits under title II of the Social Security Act for and after the sixth month following the month in which this Act is enacted.

(c) (1) Section 202 (t) of such Act is further amended by adding at the end thereof the following new paragraph:

"(10) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223, for any month beginning on or after the
date on which this paragraph is enacted, to an individual
who is not a citizen or national of the United States and
who resides during such month in a foreign country if pay-
ments for such month to individuals residing in such country
are withheld by the Treasury Department under the first
section of the Act of October 9, 1940 (31 U.S.C. 123)."

(2) Section 202 (t) (6) of such Act is amended by
striking out “by reason of paragraph (1)” and inserting in
lieu thereof “by reason of paragraph (1) or (10)”.

(3) Whenever benefits which an individual who is not
a citizen or national of the United States was entitled
to receive under title II of the Social Security Act for
months beginning prior to the date of the enactment of this
Act have been withheld by the Treasury Department under
the first section of the Act of October 9, 1940 (31 U.S.C.
123), any such benefits, payable to such individual for
months after the month in which the determination by the
Treasury Department that the benefits should be so withheld
was made, shall not be paid—

(A) to any person other than such individual, or,
if such individual dies before such benefits can be paid,
to any person other than an individual who was entitled
for the month in which the deceased individual died
(with the application of section 202 (j) (1) of the
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Social Security Act) to a monthly benefit under title II of such Act on the basis of the same wages and self-employment income as such deceased individual, or

(B) in excess of the equivalent of the last twelve months' benefits that would have been payable to such individual.

RESIDUAL PAYMENTS TO CERTAIN CHILDREN

SEC. 161. (a) The last sentence of section 203 (a) of the Social Security Act is amended to read as follows:

“Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased; except that if such total of benefits for such month includes any benefit or benefits under section 202 (d) which are payable solely by reason of section 216 (h) (3), the reduction shall be first applied to reduce (proportionately where there is more than one benefit so payable) the benefits so payable (but not below zero).”

(b) The amendment made by subsection (a) of this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month after the month in which this Act is enacted.
TRANSFER TO HEALTH INSURANCE BENEFITS ADVISORY COUNCIL OF NATIONAL MEDICAL REVIEW COMMITTEE FUNCTIONS; INCREASE IN COUNCIL'S MEMBERSHIP

Sec. 162. (a) Section 1867 of the Social Security Act is amended to read as follows:

"HEALTH INSURANCE BENEFITS ADVISORY COUNCIL

"Sec. 1867. (a) There is hereby created a Health Insurance Benefits Advisory Council which shall consist of 19 persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. 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, persons who are representative of organizations and associations of professional personnel in the field of medicine, 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. A member shall not be eligible to serve continuously for more than 2 terms. The Secretary may, at the request of the Ad-
visory 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 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of 5 or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council.

"(b) It shall be the function of the Advisory Council (1) to advise the Secretary on matters of general policy in the administration of this title and in the formulation of regulations under this title, and (2) 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 ad-
ministration of the programs established by this title, or in the provisions of this title. The Advisory Council shall make an annual report to the Secretary on the performance of its functions, including any recommendations it may have with respect thereto, and such report shall be transmitted promptly by the Secretary to the Congress.

"(c) The Advisory Council 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 Advisory Council such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the Advisory Council may require to carry out its functions."

(b) The amendment made by subsection (a) shall not be construed as affecting the terms of office of the members of the Health Insurance Benefits Advisory Council in office on the date of the enactment of this Act or their successors. The terms of office of the three additional members of the Health Insurance Benefits Advisory Council first appointed pursuant to the increase in the membership of such Council provided by such amendment shall expire, as designated by the Secretary at the time of appointment, one at the end of the first year, one at the end of the second year, and one at the end of the third year after the date of appointment.

(c) Section 1868 of the Social Security Act is repealed.
ADVISORY COUNCIL ON SOCIAL SECURITY

SEC. 163. (a) (1) Section 706 (a) of the Social Security Act is amended by striking out "During 1968 and every fifth year thereafter" and inserting in lieu thereof "During February 1969 and during February of every fourth year thereafter".

(2) The first sentence of section 706 (d) of such Act is amended by striking out "second".

(b) Section 706 (b) of such Act is amended by striking out "shall consist of the Commissioner of Social Security, as Chairman, and 12 other persons, appointed by the Secretary" and inserting in lieu thereof "shall consist of a Chairman and 12 other persons, appointed by the Secretary".

REIMBURSEMENT OF CIVIL SERVICE RETIREMENT ANNUITANTS FOR CERTAIN PREMIUM PAYMENTS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 164. Section 1840 (e) (1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "A plan described in section 8903 of title 5, United States Code, may reimburse each annuitant enrolled in such plan an amount equal to the premiums paid by him under this part if such reimbursement is paid entirely from funds of such plan which are derived from sources other than the contributions described in section 8906 of such title."
Sec. 165. (a) Section 1844(a) of the Social Security Act is amended to read as follows:

"(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—

"(1) a Government contribution equal to the aggregate premiums payable under this part and deposited in the Trust Fund, and

"(2) such sums as the Secretary deems necessary to place the Trust Fund, at the end of any fiscal year occurring after June 30, 1967, in the same position in which it would have been at the end of such fiscal year if (A) a Government contribution representing the excess of the premiums deposited in the Trust Fund during the fiscal year ending June 30, 1967, over the Government contribution actually appropriated to the Trust Fund during such fiscal year had been appropriated to it on June 30, 1967, and (B) the Government contribution for premiums deposited in the Trust Fund after June 30, 1967, had been appropriated to it when such premiums were deposited."
(b) Section 1844(b) of such Act is amended by striking out "1967" and inserting in lieu thereof "1969".

DISCLOSURE TO COURTS OF WHEREABOUTS OF CERTAIN INDIVIDUALS

SEC. 166. (a) Section 1106(c)(1) of the Social Security Act is amended by inserting "(A)" after "(c)(1)", by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively, and by adding at the end thereof the following new subparagraph:

"(B) If a request for the most recent address of any individual so included is filed (in accordance with paragraph (2) of this subsection) by a court having jurisdiction to issue orders against individuals for the support and maintenance of their children, the Secretary shall furnish such address, or the address of the individual's most recent employer, or both, for the court's own use in issuing or determining whether to issue such an order against such individual (and for no other purpose), if the court certifies that the information is requested for such use."

(b) (1) Section 1106(c)(2) of such Act is amended by striking out "and shall be accompanied" and all that follows and inserting in lieu thereof "(and, in the case of a request under paragraph (1)(A), shall be accompanied by"
a certified copy of the order referred to in clauses (i) and (iv) thereof.”

(2) Section 1106(c)(3) of such Act is amended by striking out “authorized by subparagraph (D) thereof” and inserting in lieu thereof “authorized by subparagraph (A) (iv) or (B) thereof”.

REPORTS OF BOARDS OF TRUSTEES TO CONGRESS

SEC. 167. (a) Sections 201(c)(2), 1817(b)(2), and 1841(b)(2) of the Social Security Act are each amended by striking out “March” and inserting in lieu thereof “April”.

(b) Section 201(c) of such Act is amended by inserting immediately before the last sentence the following new sentence: “Such report shall also include an actuarial analysis of the benefit disbursements made from the Federal Old-Age and Survivors Insurance Trust Fund with respect to disabled beneficiaries.”

GENERAL SAVINGS PROVISION

SEC. 168. (a) Where—

(1) one or more persons were entitled (without the application of section 202(j)(1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for the effective month on the basis of
the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) become entitled to monthly benefits under such section 202 for the first month after the effective month on the basis of such wages and self-employment by reason of the amendments made to such Act by sections 104, 150, 151, 154, and 155 of this Act, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment for such first month are reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced), then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after the effective month shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

(b) For purposes of subsection (a), the term "effective month" means the month after the month in which this Act is enacted.
TITLE II—PUBLIC WELFARE AMENDMENTS

PART 1—Public Assistance Amendments

PROGRAMS OF SERVICES FURNISHED TO FAMILIES WITH
DEPENDENT CHILDREN

SEC. 201. (a) (1) Section 402 (a) of the Social Security Act (as amended by section 202 (a) of this Act) is amended by striking out "and" at the end of clause (13); by striking out "and provide for coordination of such pro-
grams" and all that follows in clause (14); by striking out the period at the end of clause (14) and inserting in lieu thereof a semicolon; and by adding after clause (14) the following new clauses: "(15) provide—

"(A) for the development of a program for each appropriate relative and dependent child receiving aid under the plan, and each appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), with the objective of—

"(i) assuring, to the maximum extent possible, that such relative, child, and individual will enter the labor force and accept employment so that they will become self-sufficient, and

"(ii) preventing or reducing the incidence of
illegitimate births, and otherwise strengthening family life,

"(B) for the implementation of such programs by assuring that—

"(i) the employment potential of such relatives, children, and individuals is evaluated and they are furnished such services as child-care services and testing, counseling, basic education, vocational training, and special job development to assist them in securing and retaining employment or in raising the level of their skills to secure advancement in their employment, and

"(ii) in all appropriate cases family planning services are offered to them, and in appropriate cases by providing aid to families with dependent children in the form of payments of the types described in section 406(b)(2),

"(C) for such review of each such program as may be necessary (as frequently as may be necessary, but at least once a year) to insure that it is being effectively implemented,

"(D) for furnishing the Secretary with such reports as he may specify showing the results of such programs, and

"(E) to the extent that such programs are de-
(16) provide that where the State agency has reason to believe that the home in which a relative and child receiving aid reside is unsuitable for the child because of the neglect, abuse, or exploitation of such child it shall bring such condition to the attention of the appropriate court or law enforcement agencies in the State, providing such data with respect to the situation it may have; (17) provide—

"(A) for the development and implementation of a program under which the State agency will undertake—

"(i) in the case of an illegitimate child receiving aid to families with dependent children, to establish the paternity of such child and secure support for him, and

"(ii) in the case of any child receiving such aid who has been deserted or abandoned by his parent, to secure support for such child from such parent (or from any other person legally liable for such support), utilizing any reciprocal arrangements
adopted with other States to obtain or enforce court orders for support, and

"(B) for the establishment of a single organizational unit in the State agency or local agency administering the State plan in each political subdivision which will be responsible for the administration of the program referred to in clause (A);

(18) provide for entering into cooperative arrangements with appropriate courts and law enforcement officials (A) to assist the State agency in administering the program referred to in clause (17) (A), including the entering into of financial arrangements with such courts and officials in order to assure optimum results under such program, and (B) with respect to any other matters of common concern to such courts or officials and the State agency or local agency administering the State plan."

(2) Section 402 (a) (13) of such Act (as redesignated by section 202 (a) of this Act) is amended by striking out "(if any)".

(b) Section 402 of such Act is amended by adding at the end thereof the following new subsection:

"(c) The Secretary shall, on the basis of his review of the reports received from the States under clause (15) of subsection (a), compile such data as he believes necessary
and from time to time publish his findings as to the effectiveness of the programs developed and administered by the States under such clause. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the programs developed and administered by each State under such clause (15)."

(c) Section 403 (a) (3) of such Act is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) 75 per centum of so much of such expenditures as are for—

"(i) services which are furnished pursuant to clause (15) of section 402 (a) and which are provided to any relative or child who is receiving aid under the plan or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section, or

"(ii) any of the services specified in or under subsection (c) and provided to any relative or dependent child who is applying for or receiving aid under the plan, or any other individual (living in the same home as such rel-
ative and child) whose needs are taken into account in making the determination under clause (7) of section 402 (a), or

"(iii) any of the services specified in clause (15) of section 402 (a), or specified in or under subsection (c), which are provided to any child who is applying for aid under the plan or who, within such period or periods as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of such aid, or to any relative with whom any such child is living, or to any other individual (living in the same home as such relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402 (a), or

"(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus".

(d) Section 403 (a) (3) of such Act is further amended—

(1) by striking out "subparagraphs (A) and (B)"

in the sentence following subparagraph (C) and inserting in lieu thereof "subparagraph (A)";
(2) by inserting before the period at the end of the
sentence following subparagraph (C) the following:
"; and except that, to the extent specified by the Secre-
tary, child-welfare services, family planning services, and
family services may be provided from sources other than
those referred to in subparagraphs (D) and (E)"; and
(3) by striking out "subparagraphs (B) and (C)
apply" in the last sentence and inserting in lieu thereof
"subparagraph (C) applies".
(e) (1) Section 403 (c) of such Act is amended to read
as follows:
"(c) For purposes of paragraphs (3) (A) (ii) and (3)
(A) (iii) of subsection (a), the services referred to in such
paragraphs as specified in or under this subsection include—
"(1) child-welfare services as defined in section
425,
"(2) family services as defined in section 406 (d),
and
"(3) other services to maintain and strengthen
family life for children, and to help relatives with whom
children are living and other individuals (living in the
same home as a relative and child) whose needs are or
would be taken into account in making the determination
under clause (7) of section 402 (a) to attain or retain
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capability for self-support or self-care, which are specified by the Secretary.
but only with respect to a State whose State plan approved under section 402 provides that when such services are furnished by the staff of the State agency or local agency administering such plan, the organizational unit referred to in section 402 (a) (15) (E) will be responsible for furnishing such services."

(2) Section 403 (a) (3) of such Act is amended by striking out “whose State plan approved under section 402 meets the requirements of subsection (c) (1)”, and by striking out “; and” at the end and inserting in lieu thereof a period.

(3) Section 403 (a) (4) of such Act is repealed.

(4) Section 408 (d) of such Act is amended by striking out “and (4)”.

(f) Section 406 of such Act is amended by adding at the end thereof the following new subsection:

“(d) The term ‘family services’ means services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence.”

(g) (1) The amendments made by subsection (a) of
this section shall be effective October 1, 1967; except that
a State shall not be deemed to have failed to comply with
such amendments prior to July 1, 1969, because its plan
approved under section 402 of the Social Security Act has
not been modified to comply with such amendments.

(2) The amendments made by subsections (c), (d),
and (e) of this section shall apply in the case of any State
with respect to services and training furnished on or after
the date as of which the modification of the State plan
to comply with the amendments made by subsection (a)
is approved.

(h) Notwithstanding subparagraph (A) of section
403(a)(3) of the Social Security Act (as amended by
subsection (c) of this section), the rate specified in such
subparagraph in the case of any State shall be 85 per
centum (rather than 75 per centum) with respect to ex­
penditures, for services furnished pursuant to clause (15)
of section 402(a) of such Act, made on or after October
1, 1967, and prior to July 1, 1969.

EARNINGS EXEMPTION FOR RECIPIENTS OF AID TO
FAMILIES WITH DEPENDENT CHILDREN

Sec. 202. (a) Clauses (8) through (13) of section
402(a) of the Social Security Act are redesignated as
clauses (9) through (14), respectively.

(b) Effective July 1, 1969, section 402(a) of such Act
is amended by striking out clause (7) and inserting in lieu thereof the following: "(7) except as may be otherwise provided in clause (8), provide that the State agency shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid, as well as any expenses reasonably attributable to the earning of any such income; (8) provide that, in making the determination under clause (7), the State agency—

"(A) shall with respect to any month disregard—

"(i) all of the earned income of each dependent child receiving aid to families with dependent children for any month in which such child (I) is under age 16, or (II) if age 16 or over but under age 21, is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment, and

"(ii) in the case of earned income of a dependent child not included under clause (i), a relative
receiving such aid, and any other individual (living
in the same home as such relative and child) whose
needs are taken into account in making such
determination, the first $30 of the total of such
earned income for such month plus one-third of the
remainder of such income for such month; and
“(B) (i) may, subject to the limitations prescribed
by the Secretary, permit all or any portion of the earned
or other income to be set aside for future identifiable
needs of a dependent child, and (ii) may, before dis­
regarding the amounts referred to in subparagraph (A)
and clause (i) of this subparagraph, disregard not more
than $5 per month of any income;
except that, with respect to any month, the State agency
shall not disregard any earned income (other than income
referred to in subparagraph (B) ) of—
“(C) any one of the persons specified in clause (ii)
of subparagraph (A) if such person—
“(i) terminated his employment or reduced his
earned income without good cause within such
period (of not less than 30 days) preceding such
month as may be prescribed by the Secretary; or
“(ii) refused without good cause, within such
period preceding such month as may be prescribed
by the Secretary, to accept employment in which
he is able to engage which is offered through the 
public employment offices of the State, or is other­
wise offered by an employer if the offer of such em­
ployer is determined by the State or local agency 
administering the State plan, after notification by 
him, to be a bona fide offer of employment; or 

“(D) any of such persons specified in clause (ii) 
of subparagraph (A) if with respect to such month the 
income of the persons so specified (within the meaning 
of clause (7)) was in excess of their need as deter­
mined by the State agency pursuant to clause (7) 
(without regard to clause (8)), unless, for any one of 
the four months preceding such month, the needs of such 
persons were met by the furnishing of aid under the 
plan;”.

(c) A State whose plan under section 402 of the 
Social Security Act has been approved by the Secretary shall 
not be deemed to have failed to comply substantially with the 
requirements of section 402 (a) (7) of such Act (as in effect 
prior to July 1, 1969) for any period beginning after Sep­
tember 30, 1967, and ending prior to July 1, 1969, if for 
such period the State agency disregards earned income of the 
individuals involved in accordance with the requirements 
specified in section 402 (a) (7) and (8) of such Act as 
amended by this section.
In determining the need of individuals claiming aid to families with dependent children under a State plan approved under section 402 of the Social Security Act which provides for the determination of such need under the provisions of section 402(a) (7) and (8) of such Act as amended by this section, the State shall apply such provisions notwithstanding any provision of law (other than such Act) requiring the State to disregard earned income of such individual in determining need under such State plan.

**DEPENDENT CHILDREN OF UNEMPLOYED FATHERS**

Sec. 203. (a) Section 407 of the Social Security Act is amended to read as follows:

"DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

"Sec. 407. (a) The term 'dependent child' shall, notwithstanding section 406(a), include a needy child who meets the requirements of section 406(a) (2), who has been deprived of parental support or care by reason of the unemployment (as determined in accordance with standards prescribed by the Secretary) of his father, and who is living with any of the relatives specified in section 406(a) (1) in a place of residence maintained by one or more of such relatives as his (or their) own home.

"(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—"
"(1) requires the payment of aid to families with dependent children with respect to a dependent child as defined in subsection (a) when—

"(A) such child's father has not been employed (as determined in accordance with standards prescribed by the Secretary) for at least 30 days prior to the receipt of such aid,

"(B) such father has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and

"(C) (i) such father has 6 or more quarters of work (as defined in subsection (d) (1)) in any 13-calendar-quarter period ending within one year prior to the application for such aid or (ii) he received unemployment compensation under an unemployment compensation law of a State or of the United States, or he was qualified (within the meaning of subsection (d) (3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

"(2) provides—

"(A) (i) for the establishment of a work and
training program in accordance with section 409, and (ii) for such assurances as will satisfy the Secretary that fathers of dependent children as defined in subsection (a) are assigned as participants to projects under such program within 30 days after receipt of aid with respect to such children;

"(B) that the services of the public employment offices in the State shall be utilized in order to assist fathers of dependent children as defined in subsection (a) to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such fathers and for maximum utilization of the job placement services and other services and facilities of such offices;

"(C) for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order to encourage the retraining of individuals capable of being retrained; and

"(D) for the denial of aid to families with dependent children to any child or relative specified
in subsection (a) if, and for as long as, such child’s father—

“(i) is not currently registered with the public employment offices in the State,

“(ii) refuses without good cause to undertake, or continue to undertake, work or training in the program referred to in subparagraph (A),

“(iii) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment,

“(iv) refuses without good cause to undergo the retraining referred to in subparagraph (C), or

“(v) receives unemployment compensation under an unemployment compensation law of a State or of the United States.

“(c) Notwithstanding any other provision of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children—
“(1) where such expenditures are made with respect to any dependent child as defined in subsection (a)—

“(A) for any part of the 30-day period referred to in subparagraph (A) of subsection (b) (1), or

“(B) for any period prior to the time when the father satisfies subparagraphs (B) and (C) of subsection (b) (1), and

“(2) if, and for as long as, no action is taken under the program specified in subparagraph (A) of subsection (b) (2) (after the 30-day period referred to therein) to assign such child’s father to a project under such program, unless the State agency or local agency administering the plan determines, in accordance with standards prescribed by the Secretary, that any such assignment would be detrimental to the health of such father or that no such project is available.

“(d) For purposes of this section—

“(1) the term ‘quarter of work’ with respect to any individual means a calendar quarter in which such individual received earned income of not less than $50 (or which is a ‘quarter of coverage’ as defined in section 213 (a) (2)), or in which such individual participated in a community work and training program under section
409 or any other work and training program subject to
the limitations in section 409;

"(2) the term 'calendar quarter' means a period of
3 consecutive calendar months ending on March 31,
June 30, September 30, or December 31; and

"(3) an individual shall be deemed qualified for un-
employment compensation under the State's unemploy-
ment compensation law if—

"(A) he would have been eligible to receive
such unemployment compensation upon filing appli-
cation, or

"(B) he performed work not covered under
such law and such work, if it had been covered,
would (together with any covered work he per-
formed) have made him eligible to receive such
unemployment compensation upon filing applica-
tion."

(b) In the case of an application for aid to families with
dependent children under a State plan approved under sec-
tion 402 of such Act with respect to a dependent child as
defined in section 407 (a) of such Act (as amended by this
section) within 6 months after the effective date of the modi-
fication of such State plan which provides for payments in
accordance with section 407 of such Act as so amended, the
father of such child shall be deemed to meet the requirements
of subparagraph (C) of section 407 (b) (1) of such Act (as so amended) if at any time after April 1961 and prior to the date of application such father met the requirements of such subparagraph (C). For purposes of the preceding sentence, an individual receiving aid to families with dependent children (under section 407 of the Social Security Act as in effect before the enactment of this Act) for the last month ending before the effective date of the modification referred to in such sentence shall be deemed to have filed application for such aid under such section 407 (as amended by this section) on the day after such effective date.

(c) The amendment made by subsection (a) shall be effective October 1, 1967; except that (1) no State which had in operation a program of aid with respect to children of unemployed parents under section 407 of the Social Security Act (as in effect prior to such amendment) in the calendar quarter commencing July 1, 1967, shall be required to include any additional child or family under its State plan approved under section 402 of such Act, by reason of the enactment of such amendment, prior to July 1, 1969; and (2) no such State shall be required to deny aid under such State plan to any individual, because the plan does not establish a community work and training program in accordance with section 409 of such Act, prior to July 1, 1969.
COMMUNITY WORK AND TRAINING PROGRAMS

SEC. 204. (a) Section 409 of the Social Security Act is amended to read as follows:

"COMMUNITY WORK AND TRAINING PROGRAMS

"SEC. 409. For the purpose of assisting the States in encouraging, through community work and training programs of a constructive nature, the conservation of work skills and the development of new skills in appropriate cases for children and relatives receiving aid to families with dependent children, and other individuals (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under section 402 (a) (7), under conditions which are designed to assure protection of the health and welfare of such persons, expenditures (other than for medical or any other type of remedial care) for any month with respect to a dependent child under a State plan approved under section 402 shall be included in the term 'aid to families with dependent children' (as defined in section 406 (b)) where such expenditures are made in the form of payments for work performed in such month by such child, relative, or other individual if—

"(1) such child, relative, or other individual has attained age 16,

"(2) such work is performed under a work and
training program administered or supervised by the State agency and maintained and operated by that agency or another public or nonprofit agency for the purpose of preparing individuals for, or restoring them to, employability,

"(3) there is State financial participation in such expenditures,

"(4) the State plan includes provisions which, in the judgment of the Secretary, provide reasonable assurance that—

"(A) such work and training program conforms to standards prescribed by the Secretary;

"(B) such program is in effect in those political subdivisions of the State in which there is a significant number (determined in accordance with standards prescribed by the Secretary) of individuals who have attained age 16 and are receiving aid to families with dependent children;

"(C) (i) the vocational needs and potential of each appropriate child and each relative (applying for or receiving aid to families with dependent children), and of each other appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are (or would but for clause (iii) (III) be) taken into account in making
the determination under section 402(a)(7), are evaluated, and (ii) the program is made available to any such child, relative, or other individual who is determined to have the capability for employment;

"(D) appropriate standards for health, safety, and other conditions applicable to the performance of such work are established and maintained (except that if State law establishes standards for health and safety which are applicable to the performance of such work in the State, the requirements of this subparagraph shall be deemed to be satisfied);

"(E) payments for such work are at rates not less than the minimum rate (if any) provided by or under applicable Federal or State law for the same type of work and not less than the rates prevailing for similar work in the community (except that in the case of work by individuals who under such law are considered learners or handicapped persons, payments may be at any special minimum rates established for them by or under such law);

"(F) such work is performed on projects which serve a useful public purpose and do not result in displacement of regular workers, with provision in appropriate cases for the performance of such work (pursuant to agreement entered into by the State
or local agency administering the State plan) for Federal, State, or local agencies or for private employers, organizations, agencies, or institutions;

"(G) in determining the needs of any such child, relative, or other individual, any additional expenses reasonably attributable to such work will be considered;

"(H) any such child, relative, or other individual shall have reasonable opportunities to seek regular employment and to secure any appropriate training or retraining which may be available; and

"(I) any such child, relative, or other individual will, with respect to the work so performed, be covered under the State workmen's compensation law or be provided comparable protection; and

"(5) the State plan includes—

"(A) provision for entering into cooperative arrangements with the public employment offices in the State for the utilization of such offices to assist such child, relative, or other individual performing such work under such program to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such individuals and for maximum utilization of
the job placement, vocational evaluation, testing, counseling, and other services and facilities of such offices;

"(B) provision that the services and facilities under title II of the Manpower Development and Training Act of 1962, and the services and facilities under any other Federal and State programs for manpower training, retraining, and work experience, shall, to the extent available, be utilized for the training, retraining, and work experience of the persons accepted for participation under such work and training program;

"(C) provision for entering into cooperative arrangements with the Federal and State agencies responsible for administering or supervising the administration of vocational education and adult education in the State, designed to assure maximum utilization of available public vocational or adult education services and facilities in the State in order to encourage the training or retraining of any such child, relative, or other individual performing work under such program and otherwise assist them in preparing for regular employment;

"(D) provision for assuring appropriate arrangements for the care and protection of children
during the absence from the home of any such rela-
tive performing work or receiving training under
such program; and

"(E) provision that there will be no adjust-
ment or recovery by the State or any political sub-
division thereof on account of any payments which
are correctly made for such work."

(b) Section 402 (a) of such Act (as amended by
sections 201 (a) and 202 (a) of this Act) is amended by in-
serting before the period at the end thereof the following
new clauses: "; (19) include provisions to assure that all
appropriate children and relatives receiving aid to families
with dependent children, and all other appropriate individuals
(living in the same home as a relative and child receiving
such aid) whose needs are taken into account in making the
determination under clause (7), register and periodically
reregister with the public employment offices of the State;
(20) provide that (A) if and for as long as any such appro-
priate child or relative refuses without good cause to so
register or reregister, or refuses without good cause to accept
employment in which he is able to engage and which is
offered through the public employment offices of the State
or is otherwise offered by an employer (and the offer of
such employer is determined by the State or local agency
administering the State plan, after notification by him, to
be a bona fide offer of employment), or refuses without

good cause to participate in a work and training program
under section 409 or undergo any other training for employ-
ment, then—

“(i) if the relative makes such refusal, such rela-
tive’s needs shall not be taken into account in making
the determination under clause (7), and aid for any
dependent child in the family in any form other than
payments of the type described in section 406(b)(2)
(which may be made in such a case without regard
to clauses (A) through (E) thereof) or section 408
will be denied,

“(ii) aid with respect to a dependent child will
be denied if a child who is the only child receiving aid
in the family makes such refusal, and

“(iii) if there is more than one child receiving aid
in the family, aid for any such child will be denied if that
child makes such refusal;

and (B) if and for as long as any such other appropriate
individual makes such a refusal, such individual’s needs
shall not be taken into account in making the determina-
tion under clause (7); (21) effective July 1, 1969, provide
for (A) a work and training program meeting the require-
ments of section 409 for appropriate individuals who have
attained age 16 and are receiving aid to families with depend-
ent children, and for other appropriate individuals living in the same home whose needs are taken into account in making the determination under clause (7), with the objective that a maximum number of such individuals will be benefited through the conservation of their work skills and the development of new skills, and (B) expenditures in the form of payments described in such section 409”.

(c) Section 403(a)(3) of such Act (as amended by section 201(c) of this Act) is amended by inserting after subparagraph (A) the following new subparagraph:

“(B) 75 per centum of so much of such expenditures as are for—

“(i) training, supervision, materials, and such other items as are authorized by the Secretary, in connection with a work and training program described in section 409, and

“(ii) other services (not included in clause (i)), specified by the Secretary, which are related to the purposes of such a program and are provided to individuals who are participants in such a program; plus”.

(d) Section 403(a) of such Act is further amended by adding at the end thereof the following new sentence:

“For purposes of subparagraph (B) of paragraph (3), subject to limitations prescribed by the Secretary, the
services and items referred to in clauses (i) and (ii) of such
subparagraph may be furnished, pursuant to agreement
entered into by the State or local agency administering the
State plan, by employers, organizations, agencies, and insti-
tutions equipped to furnish such services and items.”

(e) Notwithstanding subparagraph (B) of section 403
(a) (3) of the Social Security Act (as added by subsection
(c) of this section), the rate specified in such sub-
paragraph in the case of any State shall be 85 per centum
(rather than 75 per centum) with respect to expenditures,
for services and training furnished, made on or after Oc-
tober 1, 1967, and prior to July 1, 1969.

(f) (1) Title III of the Social Security Act is amended
by adding at the end thereof the following new section:

“SERVICES FURNISHED BY PUBLIC EMPLOYMENT OFFICES
OF THE STATE

“Sec. 304. The Secretary of Health, Education, and
Welfare shall enter into cooperative agreements with the
Secretary of Labor for the provision through the public em-
ployment offices in each State of such services as the Secre-
tary of Health, Education, and Welfare shall specify as
necessary to assure that individuals receiving or applying for
aid to families with dependent children under a plan ap-
proved under part A of title IV of this Act (1) are regis-
tered and periodically reregistered at such offices, (2) are
receiving testing and counseling services and such other services as such offices make available to individuals to assist them in securing and retaining employment, and (3) are, in appropriate cases, referred to employers who have requested such offices to furnish applicants for job placement. The State agency administering or supervising the administration of the plan of any State approved under section 402 of this Act shall pay the Secretary of Labor (as expenses subject to section 403(a)(3)(B) of this Act) for any costs incurred in providing the services described in clause (2) of the preceding sentence with respect to individuals who are receiving or applying for aid (or whose needs are taken into account) under such plan."

(2) Section 402(a) of such Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; (22) providing for payment to the Secretary of Labor for any costs incurred in providing the services described in clause (2) of the first sentence of section 304 with respect to individuals who are receiving or applying for aid (or whose needs are taken into account) under the plan".

(g) The amendments made by subsections (a), (c), and (f)(2) shall be effective on July 1, 1969, or, if earlier (in the case of any State), on the date as of which the modification of the State plan to comply with such amendments
is approved. Except as otherwise specifically indicated therein, the amendment made by subsection (b) shall be effective April 1, 1968.

FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

SEC. 205. (a) Section 402(a) of the Social Security Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; and (23) effective July 1, 1969, provide for aid to families with dependent children in the form of foster care in accordance with section 408”.

(b) Section 403(a)(1)(B) of such Act is amended by striking out “as exceeds” and all that follows and inserting in lieu thereof the following: “as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and”.

(c) Section 408(a) of such Act is amended by inserting “(A)” after “and (4) who”, and by inserting before the semicolon at the end thereof the following: “, or (B) (i) would have received such aid in or for such month if application had been made therefor, or (ii) in the case of a
child who had been living with a relative specified in section 406(a) within 6 months prior to the month in which such proceedings were initiated, would have received such aid in or for such month if in such month he had been living with (and removed from the home of) such a relative and application had been made therefor”.

(d) Sections 135(e) and 155(b) of the Public Welfare Amendments of 1962 are each amended by striking out “, and ending with the close of June 30, 1968”.

(e) The amendments made by subsections (b) and (c) shall apply only with respect to foster care provided after September 1967.

EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH DEPENDENT CHILDREN

Sec. 206. (a) Section 403(a) of the Social Security Act (as amended by section 201(e) of this Act) is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof “; and”, and by inserting after paragraph (3) the following new paragraph:

“(4) in the case of any State, an amount equal to the sum of—

“(A) 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with chil-
dren in the form of payments or care specified in
paragraph (1) of section 406 (e), and

"(B) 75 per centum of the total amount ex-
pended under the State plan during such quarter as
emergency assistance to needy families with chil-
dren in the form of services specified in paragraph
(2) of section 406 (e)."

(b) Section 406 of such Act (as amended by section
201 (f) of this Act) is amended by adding at the end thereof
the following new subsection:

"(e) The term ‘emergency assistance to needy families
with children’ means any of the following, furnished for a
period not in excess of 30 days in any 12-month period, in
the case of a needy child under the age of 21 who is (or,
within such period as may be specified by the Secretary, has
been) living with any of the relatives specified in subsection
(a) (1) in a place of residence maintained by one or more of
such relatives as his or their own home, but only where such
child is without available resources and the payments, care,
or services involved are necessary to avoid destitution of such
child or to provide suitable living arrangements in a home
for such child—

"(1) money payments, payments in kind, or such
other payments as the State agency may specify with re-
spect to, or medical care or any other type of remedial
care recognized under State law on behalf of, such child
or any other member of the household in which he is
living, and

"(2) such services as may be specified by the Sec-
retary;

but only with respect to a State whose State plan approved
under section 402 includes provision for such assistance."

PROTECTIVE PAYMENTS AND VENDOR PAYMENTS WITH
RESPECT TO DEPENDENT CHILDREN

SEC. 207. (a) (1) Section 406 (b) (2) of the Social
Security Act is amended by striking out all that follows
"(2)" and precedes "but only", and inserting in lieu thereof
the following: "payments with respect to any dependent
child (including payments to meet the needs of the relative,
and the relative’s spouse, with whom such child is living,
and the needs of any other individual living in the same
home if such needs are taken into account in making the
determination under section 402 (a) (7)) which do not meet
the preceding requirements of this subsection, but which
would meet such requirements except that such payments are
made to another individual who (as determined in accord-
ance with standards prescribed by the Secretary) is inter-
ested in or concerned with the welfare of such child or rela-
tive, or are made on behalf of such child or relative directly
to a person furnishing food, living accommodations, or other
goods, services, or items to or for such child, relative, or other individual.”

(2) Section 406 (b) (2) of such Act is further amended by striking out clause (B), and redesignating clauses (C) through (F) as clauses (B) through (E), respectively.

(3) Section 406 (b) of such Act is further amended by adding at the end thereof (after and below clause (E) (as redesignated by paragraph (2) of this subsection)) the following: “except that payments made under this clause (2) shall be included in aid to families with dependent children without regard to clauses (A) through (E) in the case of a refusal described in section 402 (a) (20);”.

(b) Section 403 (a) of such Act (as amended by the preceding provisions of this Act) is amended by striking out the sentence immediately following paragraph (4).

(c) Section 202 (e) of the Public Welfare Amendments of 1962 is amended by striking out “, and ending with the close of June 30, 1968”.

LIMITATION ON NUMBER OF CHILDREN WITH RESPECT TO WHOM FEDERAL PAYMENTS MAY BE MADE

Sec. 208. (a) Section 403 (a) of the Social Security Act is amended by striking out “shall pay” in the matter preceding paragraph (1) and inserting in lieu thereof the following: “shall (subject to subsection (d)) pay”.

(b) Section 403 of such Act is further amended by adding at the end thereof the following new subsection:
“(d) Notwithstanding any other provision of this Act, the number of dependent children who have been deprived of parental support or care by reason of the continued absence from the home of a parent with respect to whom payments under this section may be made to a State for any calendar quarter after 1967 shall not exceed the number which bears the same ratio to the total population of such State under the age of 21 on the first day of the year in which such quarter falls as the number of such dependent children with respect to whom payments under this section were made to such State for the calendar quarter beginning January 1, 1967, bore to the total population of such State under the age of 21 on that date.”

FEDERAL PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

SEC. 209. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

“FEDERAL PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

“SEC. 1119. In the case of an expenditure for repairing the home owned by an individual who is receiving aid or assistance, other than medical assistance to the aged, under a State plan approved under title I, X, XIV, or XVI, if—

“(1) the State agency or local agency administering the plan approved under such title has made a
finding (prior to making such expenditure) that (A) such home is so defective that continued occupancy is unwarranted, (B) unless repairs are made to such home, rental quarters will be necessary for such individual, and (C) the cost of rental quarters to take care of the needs of such individual (including his spouse living with him in such home and any other person whose needs were taken into account in determining the need of such individual) would exceed (over such time as the Secretary may specify) the cost of repairs needed to make such home habitable together with other costs attributable to continued occupancy of such home, and

"(2) no such expenditures were made for repairing such home pursuant to any prior finding under this section,

the amount paid to any such State for any quarter under section 3 (a), 1003 (a), 1403 (a), or 1603 (a) shall be increased by 50 per centum of such expenditures, except that the excess above $500 expended with respect to any one home shall not be included in determining such expenditures."

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after September 30, 1967.
PART 2—MEDICAL ASSISTANCE AMENDMENTS

LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

SEC. 220. (a) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“(f) (1) (A) Payment under the preceding provisions of this section shall not be made with respect to any amount expended as medical assistance in a calendar quarter, in any State, for any member of a family the annual income of which exceeds the applicable income limitation determined under this paragraph.

“(B) (i) Except as provided in subparagraph (C) and in clause (ii) of this subparagraph, the applicable income limitation with respect to any family is the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 133 1/3 percent of the highest amount which would ordinarily be paid to a family of the same size without any income or resources, in the form of money payments, under the plan of the State approved under section 402 of this Act.

“(ii) If the Secretary finds that the operation of a uniform maximum limits payments to families of more than
one size, he may adjust the amount otherwise determined
under clause (i) to take account of families of different sizes.

"(C) If 133\% percent of the average per capita income
of the State is lower, by any percentage, than the amount
that would be determined under subparagraph (B) in the
case of a family consisting of four individuals—

"(i) the applicable income limitation for such a
family shall be 133\% percent of such average per capita
income, and

"(ii) the applicable income limitation as otherwise
determined under subparagraph (B) for a family of any
other size shall be reduced by the same percentage.

"(D) The total amount of any applicable income limita-
tion determined under subparagraph (B) or (C) shall, if it
is not a multiple of $100 or such other amount as the Secre-
tary may prescribe, be rounded by the next higher multiple
of $100 or such other amount, as the case may be.

"(2) In computing a family’s income for purposes of
paragraph (1), there shall be excluded any costs (whether
in the form of insurance premiums or otherwise) incurred
by such family for medical care or for any other type of
remedial care recognized under State law.

"(3) For purposes of paragraph (1) (B), in the case
of a family consisting of only one individual, the 'highest
amount which would ordinarily be paid to such family under the State's plan approved under section 402 of this Act shall be the amount determined by the State agency (on the basis of reasonable relationship to the amounts payable under such plan to families consisting of two or more persons) to be the amount of the aid which would ordinarily be payable under such plan to a family (without any income or resources) consisting of one person if such plan (without regard to section 408) provided for aid to such a family.

"(4) For purposes of paragraph (1) (C), the per capita income of each State shall be promulgated by the Secretary between July 1 and August 31 of each year, on the basis of the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the four quarters in the calendar year next succeeding such promulgation: Provided, That the Secretary shall make the promulgation which is effective for quarters in the calendar year 1968 as soon as possible after the enactment of the Social Security Amendments of 1967."

(b) (1) In the case of any State whose plan under title XIX of the Social Security Act is approved by the Secretary of Health, Education, and Welfare under section 12080—10
1902 after July 25, 1967, the amendments made by subsection (a) shall apply with respect to calendar quarters beginning after the date of enactment of this Act.

(2) In the case of any State whose plan under title XIX of the Social Security Act was approved by the Secretary of Health, Education, and Welfare under section 1902 of the Social Security Act prior to July 26, 1967, the amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1968, except that—

(A) with respect to the third and fourth calendar quarters of 1968, such subsection shall be applied by substituting in subsection (f) of section 1903 of the Social Security Act 150 percent for 133 1/3 percent each time such latter figure appears in such subsection (f), and

(B) with respect to all calendar quarters during 1969, such subsection shall be applied by substituting in subsection (f) of section 1903 of such Act 140 percent for 133 1/3 percent each time such latter figure appears in such subsection (f).

MAINTENANCE OF STATE EFFORT

Sec. 221. (a) Section 1117 (a) of the Social Security Act is amended by adding at the end thereof the following new sentence: “For any fiscal year ending on or after
June 30, 1967, and before July 1, 1969, in lieu of the substitution provided by paragraph (3) or (4), at the option of the State (i) paragraphs (1) and (2) of this subsection shall be applied on a fiscal year basis (rather than on a quarterly basis), and (ii) the base period fiscal year shall be either the fiscal year ending June 30, 1965, or the fiscal year ending June 30, 1964 (whichever is chosen by the State).

(b) Section 1117 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) (1) In the case of the quarters in any fiscal year ending before July 1, 1969, the reduction (if any) under this section shall, at the option of the State, be determined under paragraph (2), (3), or (4) of this subsection instead of under the preceding provisions of this section.

"(2) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903, and by substituting
a reference to this paragraph for the reference to subsections (a) and (b).

"(3) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account payments under section 523 and section 422,

"(B) subsection (b) shall be applied by adding a reference to section 523 and section 422 after each reference to title XIX, and

"(C) subsection (c) shall be applied by adding a reference to section 523 and section 422 after the reference to section 1903, and by substituting a reference to this paragraph for the reference to subsections (a) and (b).

"(4) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only (i) money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, and (ii) payments under section 523 and section 422,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX and substituting a reference to section 523 and section 422, and
“(C) subsection (c) shall be applied by eliminating the reference to section 1903 and substituting a reference to section 523 and section 422, and by substituting a reference to this paragraph for the reference to subsections (a) and (b).”

COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 222. (a) Section 1843 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“(h) (1) The Secretary shall, at the request of a State made before January 1, 1970, enter into a modification of an agreement entered into with such State pursuant to subsection (a) under which the coverage group described in subsection (b) and specified in such agreement is broadened to include individuals who are eligible to receive medical assistance under the plan of such State approved under title XIX.

“(2) For purposes of this section, an individual shall be treated as eligible to receive medical assistance under the plan of the State approved under title XIX if, for the month in which the modification is entered into under this subsection or for any month thereafter, he has been determined to be eligible to receive medical assistance under such plan. In the case of any individual who would (but for this subsec-
tion) be excluded from the agreement, subsections (c) and
(d) (2) shall be applied as if they referred to the modific­
tion under this subsection (in lieu of the agreement under
subsection (a) ), and subsection (d) (2) (C) shall be applied
by substituting ‘second month following the first month’ for
‘first month’.

(b) (1) Section 1843 (d) (3) (A) of such Act is
amended by striking out “ineligible for money payments of
a kind specified in the agreement” and inserting in lieu
thereof the following: “ineligible both for money payments
of a kind specified in the agreement and (if there is in effect
a modification entered into under subsection (h) ) for medi­
cal assistance”.

(2) Section 1843 (f) of such Act is amended—

(A) by inserting after “or XVI” the following:
“or eligible to receive medical assistance under the plan
of such State approved under title XIX”; and

(B) by inserting after “and XVI” the following:
“and individuals eligible to receive medical assistance
under the plan of the State approved under title XIX”.

(3) The heading of section 1843 of such Act is amended
by adding at the end thereof the following: “(OR ARE
ELIGIBLE FOR MEDICAL ASSISTANCE)”.

c) Section 1903 (b) of such Act is amended by insert-
ing “(1)” after “(b)”, and by adding at the end thereof the following new paragraph:

“(2) Notwithstanding the preceding provisions of this section, the amount determined under subsection (a) (1) for any State for any quarter beginning after December 31, 1967, shall not take into account any amounts expended as medical assistance with respect to individuals aged 65 or over which would not have been so expended if the individuals involved had been enrolled in the insurance program established by part B of title XVIII.”

(d) Effective with respect to calendar quarters beginning after December 31, 1967, section 1903 (a) (1) of such Act is amended by striking out “and other insurance premiums” and inserting in lieu thereof “and, except in the case of individuals sixty-five years of age or older who are not enrolled under part B of title XVIII, other insurance premiums”.

(e) (1) Section 1843 (a) of such Act is amended by striking out “1968” and inserting in lieu thereof “1970”.

(2) Section 1843 (c) of such Act is amended—

(A) by striking out “and before January 1, 1968”;

and

(B) by striking out “thereafter before January 1968”; and inserting in lieu thereof “thereafter”.

(3) Section 1843 (d) (2) (D) of such Act is amended by striking out "(not later than January 1, 1968)".

MODIFICATION OF COMPARABILITY PROVISIONS

Sec. 223. (a) Section 1902 (a) (10) of the Social Security Act is amended—

(1) by inserting "(I)" after "except that" in the matter following subparagraph (B), and

(2) by inserting before the semicolon at the end the following: ", and (II) the making available of supplementary medical insurance benefits under part B of title XVIII to individuals eligible therefor (either pursuant to an agreement entered into under section 1843 or by reason of the payment of premiums under such title by the State agency on behalf of such individuals), or provision for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under part B of title XVIII for individuals eligible for benefits under such part, shall not, by reason of this paragraph (10), require the making available of any such benefits, or the making available of services of the same amount, duration, and scope, to any other individuals".

(b) The amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1967.
REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PLAN

Sec. 224. Section 1902 (a) (13) of the Social Security Act is amended by striking out “provide (A) for inclusion of at least the care and services listed in clauses (1) through (5) of section 1905 (a), and (B)” and inserting in lieu thereof the following: “provide (A) for inclusion of at least—

“(i) the care and services listed in clauses (1) through (5) of section 1905 (a), or
“(ii) the care and services listed in any seven of the clauses numbered (1) through (14) of such section,
and (B)”.

EXTENT OF FEDERAL FINANCIAL PARTICIPATION IN CERTAIN ADMINISTRATIVE EXPENSES

Sec. 225. (a) Section 1903 (a) (2) of the Social Security Act is amended by striking out “of the State agency (or of the local agency administering the State plan in the political subdivision)” and inserting in lieu thereof “of the State agency or any other public agency”.

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after December 31, 1967.
ADVISORY COUNCIL ON MEDICAL ASSISTANCE

Sec. 226. Title XIX of the Social Security Act is amended by adding at the end thereof the following new section:

"ADVISORY COUNCIL ON MEDICAL ASSISTANCE

Sec. 1906. For the purpose of advising the Secretary on matters of general policy in the administration of this title (including the relationship of this title and title XVIII) and making recommendations for improvements in such administration, there is hereby created a Medical Assistance Advisory Council which shall consist of twenty-one persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include representatives of State and local agencies and non-governmental organizations and groups concerned with health, and of consumers of health services, and a majority of the membership of the Advisory Council shall consist of representatives of consumers of health services. Each member shall hold office for a term of four 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, five at the end of the first year, five
at the end of the second year, five at the end of the third year,
and six at the end of the fourth year after the date of appoint-
ment. A member shall not be eligible to serve continuously
for more than two 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 com-
mittee, 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 ex-
penses, including per diem in lieu of subsistence, as author-
ized by section 5703 of title 5, United States Code, for per-
sons in the Government service employed intermittently. The
Advisory Council shall meet as frequently as the Secretary
deems necessary. Upon request of five or more members, it
shall be the duty of the Secretary to call a meeting of the
Advisory Council."
Sec. 227. (a) Section 1902(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (21);

(2) by striking out the period at the end of paragraph (22) and inserting in lieu thereof "; and "; and

(3) by adding after paragraph (22) the following new paragraph;

"(23) provide that any individual eligible for medical assistance may obtain such assistance from any institution, agency, or person, qualified to perform the service or services required (including an organization which provides such services, or arranges for their availability, on a prepayment basis), who undertakes to provide him such services."

(b) The amendments made by this section shall apply with respect to calendar quarters beginning after June 30, 1969; except that such amendments shall apply in the case of Puerto Rico, the Virgin Islands, and Guam only with respect to calendar quarters beginning after June 30, 1972.
UTILIZATION OF STATE FACILITIES TO PROVIDE CONSULTATIVE SERVICES TO INSTITUTIONS FURNISHING MEDICAL CARE

SEC. 228. (a) Section 1902 (a) of the Social Security Act (as amended by section 227 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (22);

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (23) the following new paragraph:

"(24) effective July 1, 1969, provide for consultative services by health agencies and other appropriate agencies of the State to hospitals, nursing homes, home health agencies, clinics, laboratories, and such other institutions as the Secretary may specify in order to assist them (A) to qualify for payments under this Act, (B) to establish and maintain such fiscal records as may be necessary for the proper and efficient administration of this Act, and (C) to provide information needed to determine payments due under this Act on account of care and services furnished to individuals."
(b) Effective July 1, 1969, the last sentence of section 1864(a) of such Act is repealed.

PAYMENTS FOR SERVICES AND CARE BY A THIRD PARTY

SEC. 229. (a) Section 1902(a) of the Social Security Act (as amended by section 228 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (23);

(2) by striking out the period at the end of paragraph (24) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (24) the following new paragraph:

"(25) provide (A) that the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties to pay for care and services (available under the plan) arising out of injury, disease, or disability, (B) that where the State or local agency knows that a third party has such a legal liability such agency will treat such legal liability as a resource of the individual on whose behalf the care and services are made available for purposes of paragraph (17) (B), and (C) that in any case where such a legal liability is found to exist after medical assistance has been made available on behalf of the individual, the
State or local agency will seek reimbursement for such assistance to the extent of such legal liability.”

(b) The amendment made by subsection (a) shall apply with respect to legal liabilities of third parties arising after March 31, 1968.

(c) Section 1903 (d) (2) of such Act is amended by adding at the end thereof the following new sentence: “Expenditures for which payments were made to the State under subsection (a) shall be treated as an overpayment to the extent that the State or local agency administering such plan has been reimbursed for such expenditures by a third party pursuant to the provisions of its plan in compliance with section 1902 (a) (25).”

DIRECT PAYMENTS TO CERTAIN RECIPIENTS OF MEDICAL ASSISTANCE

Sec. 230. Section 1905 (a) of the Social Security Act is amended by inserting after “for individuals” in the matter preceding clause (i) the following: “, and, with respect to physicians’ services, at the option of the State, to individuals not receiving aid or assistance under the State’s plan approved under title I, X, XIV, or XVI, or part A of title IV,.”
DATE ON WHICH STATE PLANS UNDER TITLE XIX MUST
MEET CERTAIN FINANCIAL PARTICIPATION REQUIRE-
MENTS

Sec. 231. Section 1902 (a) (2) of the Social Security
Act is amended by striking out "July 1, 1970" and inserting
in lieu thereof "July 1, 1969".

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

INCLUSION OF CHILD-WELFARE SERVICES IN TITLE IV

Sec. 235. (a) The heading of title IV of the Social
Security Act is amended to read as follows:

"TITLE IV—GRANTS TO STATES FOR AID AND
SERVICES TO NEEDY FAMILIES WITH CHIL-
DREN AND FOR CHILD-WELFARE SERVICES"

(b) Title IV of such Act is further amended by insert-
ing immediately after the heading of the title the following:

"PART A—AID TO FAMILIES WITH DEPENDENT
CHILDREN"

(c) Title IV of such Act is further amended by adding
at the end thereof the following new part:

"PART B—CHILD-WELFARE SERVICES
"APPROPRIATION

"Sec. 420. For the purpose of enabling the United
States, through the Secretary, to cooperate with State public
welfare agencies in establishing, extending, and strengthen-
ing child-welfare services, the following sums are hereby
authorized to be appropriated: $55,000,000 for the fiscal year ending June 30, 1968, $100,000,000 for the fiscal year ending June 30, 1969, and $110,000,000 for each fiscal year thereafter.

"ALLOTMENTS TO STATES

"SEC. 421. The sum appropriated pursuant to section 420 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 423) bears to the sum of the corresponding products of all the States.

"PAYMENT TO STATES

"SEC. 422. (a) From the sums appropriated therefor and the allotment available under this part, the Secretary shall from time to time pay to each State—

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides for coordination between the
services provided under such plan and the services
provided for dependent children under the State
plan approved under part A of this title, with a view
to provision of welfare and related services which
will best promote the welfare of such children and
their families, and

"(B) provides, with respect to day care serv
ices (including the provision of such care) provided
under the plan—

"(i) for cooperative arrangements with the
State health authority and the State agency
primarily responsible for State supervision of
public schools to assure maximum utilization of
such agencies in the provision of necessary
health services and education for children
receiving day care,

"(ii) for an advisory committee, to advise
the State public welfare agency on the general
policy involved in the provision of day care
services under the plan, which shall in-
clude among its members representatives of
other State agencies concerned with day care
or services related thereto and persons repre-
sentative of professional or civic or other public
or nonprofit private agencies, organizations, or
groups concerned with the provision of day care,

“(iii) for such safeguards as may be necessary to assure provision of day care under the plan only in cases in which it is in the best interest of the child and the mother and only in cases in which it is determined, under criteria established by the State, that a need for such care exists; and, in cases in which the family is able to pay part or all of the costs of such care, for payment of such fees as may be reasonable in the light of such ability,

“(iv) for giving priority, in determining the existence of need for such day care, to members of low-income or other groups in the population, and to geographical areas, which have the greatest relative need for extension of such day care, and

“(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
“(2) that makes a satisfactory showing that the State is extending the provision of child-welfare services in the State, with priority being given to communities with the greatest need for such services after giving consideration to their relative financial need, and with a view to making available by July 1, 1975, in all political subdivisions of the State, for all children in need thereof, child-welfare services provided by the staff (which shall to the extent feasible be composed of trained child-welfare personnel) of the State public welfare agency or of the local agency participating in the administration of the plan in the political subdivision, an amount equal to the Federal share (as determined under section 423) of the total sum expended under such plan (including the cost of administration of the plan) in meeting the costs of State, district, county, or other local child-welfare services, in developing State services for the encouragement and assistance of adequate methods of community child-welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child. In develop-
ing such services for children, the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the State and local communities as may be authorized by the State.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid to the State for such prior period under this section.

"ALLOTMENT PERCENTAGE AND FEDERAL SHARE"

Sec. 423. (a) The 'allotment 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 50 per centum as the per capita income of such State bears to the per capita income of the United States; except that (1) the allotment percentage
shall in no case be less than 30 per centum or more than 70 per centum, and (2) the allotment percentage shall be 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(b) The 'Federal share' for any State for any fiscal year shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States, except that (1) in no case shall the Federal share be less than $33\frac{1}{3}$ per centum or more than $66\frac{2}{3}$ per centum, and (2) the Federal share shall be $66\frac{2}{3}$ per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: Provided, That the Federal shares and allotment percentages promulgated under section 524 (c) of the Social Security Act in 1966 shall be effective for purposes of this section for the fiscal years ending June 30, 1968, and June 30, 1969.
(d) For purposes of this section, the term 'United States' means the fifty States and the District of Columbia.

"REALLOTMENT"

"Sec. 424. The amount of any allotment to a State under section 421 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallocation from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallocations shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallocated to a State shall be deemed part of its allotment under section 421.

"DEFINITION"

"Sec. 425. For purposes of this title, the term 'child-welfare services' means public social services which supplement, or substitute for, parental care and supervision for
the purpose of (1) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster family homes or day-care or other child-care facilities.

"RESEARCH, TRAINING, OR DEMONSTRATION PROJECTS

"Sec. 426. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine—

"(1) for grants by the Secretary—

"(A) to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child-welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare;
“(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part, for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and

“(C) to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships with such stipends and allowances as may be permitted by the Secretary; and

“(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

“(b) Payments of grants or under contracts or cooperative arrangements under this section may be made in advance or by way of reimbursement, and in such install-ments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants, contracts, or other arrangements.”

(d) (1) Subparagraphs (A) and (B) of section 422
(a) (1) of the Social Security Act (as added by subsection (c) of this section) are redesignated as (B) and (C).

(2) So much of paragraph (1) of section 422(a) of such Act (as added by subsection (c) of this section) as precedes subparagraph (B) (as redesignated) is amended to read as follows:

“(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

“(A) provides that (i) the State agency designated pursuant to section 402(a)(3) to administer or supervise the administration of the plan of the State approved under part A of this title will administer or supervise the administration of such plan for child-welfare services and (ii) to the extent that child-welfare services are furnished by the staff of the State agency or local agency administering such plan for child-welfare services, the organizational unit in such State or local agency established pursuant to section 402(a)(15) will be responsible for furnishing such child-welfare services,”.

(e) (1) Part 3 of title V of the Social Security Act is repealed on the date this Act is enacted.

(2) Part B of title IV of the Social Security Act (as added by subsection (c) of this section), and the amend-
ments made by subsections (a) and (b) of this section, shall become effective on the date this Act is enacted.

(3) The amendments made by subsection (d) shall become effective July 1, 1969.

(f) In the case of any State which has a plan developed as provided in part 3 of title V of the Social Security Act as in effect prior to the enactment of this Act—

(1) such plan shall be treated as a plan developed, as provided in part B of title IV of such Act, on the date this Act is enacted;

(2) any sums appropriated, allotted, or reallocated pursuant to part 3 of title V for the fiscal year ending June 30, 1968, shall be deemed appropriated, allotted, or reallocated (as the case may be) under part B of title IV of such Act for such fiscal year; and

(3) any overpayment or underpayment which the Secretary determines was made to the State under section 523 of the Social Security Act and with respect to which adjustment has not then already been made under subsection (b) of such section shall, for purposes of section 422 of such Act, be considered an overpayment or underpayment (as the case may be) made under section 422 of such Act.

(g) Any sums appropriated or grants made pursuant to section 526 of the Social Security Act (as in effect prior
to the enactment of this Act) shall be deemed to have been
appropriated or made (as the case may be) under section
426 of the Social Security Act (as added by subsection (c)
of this section).

CONFORMING AMENDMENTS

SEC. 236. (a) Section 228 (d) (1) of the Social Se-
curity Act is amended by striking out “IV,”, and by insert-
ing after “XVI,” the following: “or part A of title IV,”.

(b) (1) The first sentence of section 401 of the Social
Security Act is amended by striking out “title” and inserting
in lieu thereof “part”.

(2) The proviso in section 403 (a) (3) (D) of such Act
is amended by striking out “title” and inserting in lieu thereof
“part”.

(3) The last sentence of section 403 (c) (2) of such Act
is amended by striking out “title” and inserting in lieu there-
of “part”.

(4) Section 404 (b) of such Act is amended by striking
out “title” and inserting in lieu thereof “part”.

(5) Section 406 of such Act is amended by striking out
“title” in the matter preceding subsection (a) and inserting
in lieu thereof “part”.

(c) (1) Section 1106 (c) (1) of such Act is amended
by striking out “IV,”, and by inserting after “XIX,” the
following: “or part A of title IV,”.
(2) Section 1109 of such Act is amended by striking out "IV," and by inserting after "XIX" the following: ", or part A of title IV,".

(3) Section 1111 of such Act is amended by striking out "IV," and by inserting after "XVI," the following: "and part A of title IV,".

(4) Section 1115 of such Act is amended by striking out "IV," and by inserting after "XIX" the following: "", or part A of title IV,".

(5) Section 1116 of such Act is amended—

(A) by striking out "IV," in subsection (a) (1), and by inserting after "XIX," in such subsection the following: "or part A of title IV,"; and

(B) by striking out "IV," in subsections (b) and (d), and by inserting after "XIX" in such subsections the following: "", or part A of title IV,".

(6) Section 1117 of such Act is amended—

(A) by striking out "IV," in clause (A) of subsection (a) (2), and by inserting after "XIX" in such clause the following: "", and part A of title IV,";

(B) by striking out "IV," each place it appears in subsection (b);

(C) by inserting after "and XIX" in subsection (b) the following: "", and part A of title IV,";
(D) by inserting after “or XIX” in subsection (b) the following: “, or part A of title IV”.

(7) Section 1118 of such Act is amended by striking out “IV,”, and by inserting after “XVI,” the following: “and part A of title IV,“.

(d) Section 1602 (a) (11) of such Act is amended by striking out “title IV, X, or XIV” and inserting in lieu thereof “part A of title IV or under title X or XIV”.

(e) (1) Section 1843 (b) (2) of such Act is amended by striking out “IV,“, and by inserting after “XVI” the following: “, and part A of title IV”.

(2) Section 1843 (f) of such Act is amended—

(A) by striking out “IV,“ in the first sentence, and by inserting after “XVI,” the first place it appears in such sentence the following: “or part A of title IV,”, and

(B) by striking out “IV,” in the second sentence, and by inserting after “XVI” in such sentence the following: “, and part A of title IV”.

(f) (1) Section 1902 (a) (10) of such Act is amended by striking out “IV,”, and by inserting after “XVI” the following: “, and part A of title IV”.

(2) Section 1902 (a) (17) of such Act is amended by striking out “IV,”, and by inserting after “XVI” the following: “, or part A of title IV”.
(3) Section 1902 (b) (2) of such Act is amended by striking out “title IV” and inserting in lieu thereof “part A of title IV”.

(4) Section 1902 (c) of such Act is amended by striking out “IV,,” and by inserting after “XVI” the following: “, or part A of title IV”.

(5) Section 1903 (a) (1) of such Act is amended by striking out “IV,,” and by inserting after “XVI,” the following: “or part A of title IV,”.

(6) Section 1905 (a) (ii) of such Act is amended by striking out “title IV” and inserting in lieu thereof “part A of title IV”.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

PARTIAL PAYMENTS TO STATES

SEC. 245. Sections 4, 404 (a), 1004, and 1404 of the Social Security Act are each amended—

(1) by striking out “further payments will not be made to the State” and inserting in lieu thereof “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)”;

and

(2) by striking out the last sentence and inserting in lieu thereof the following: “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)."

CONTRACTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

Sec. 246. Section 1110(a)(2) of the Social Security Act is amended by striking out "nonprofit".

PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION PROJECTS

Sec. 247. Section 1115 of the Social Security Act is amended—

(1) by striking out "$2,000,000" and inserting in lieu thereof "$4,000,000"; and

(2) by striking out "ending prior to July 1, 1968" and inserting in lieu thereof "beginning after June 30, 1967".

SPECIAL PROVISIONS RELATING TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

Sec. 248. (a) (1) Section 1108 of the Social Security Act is amended to read as follows:

"LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

"Sec. 1108. (a) The total amount certified by the Secretary of Health, Education, and Welfare under title I, X, XIV, and XVI, and under part A of title IV (exclu-
sive of any amounts on account of services and items to which subsection (b) applies—

"(1) for payment to Puerto Rico shall not exceed—

"(A) $12,500,000 with respect to the fiscal year 1968,

"(B) $15,000,000 with respect to the fiscal year 1969,

"(C) $18,000,000 with respect to the fiscal year 1970,

"(D) $21,000,000 with respect to the fiscal year 1971, or

"(E) $24,000,000 with respect to the fiscal year 1972 and each fiscal year thereafter;

"(2) for payment to the Virgin Islands shall not exceed—

"(A) $425,000 with respect to the fiscal year 1968,

"(B) $500,000 with respect to the fiscal year 1969,

"(C) $600,000 with respect to the fiscal year 1970,

"(D) $700,000 with respect to the fiscal year 1971, or
“(E) $800,000 with respect to the fiscal year 1972 and each fiscal year thereafter; and

“(3) for payment to Guam shall not exceed—

“(A) $575,000 with respect to the fiscal year 1968,

“(B) $690,000 with respect to the fiscal year 1969,

“(C) $825,000 with respect to the fiscal year 1970,

“(D) $960,000 with respect to the fiscal year 1971, or

“(E) $1,100,000 with respect to the fiscal year 1972 and each fiscal year thereafter.

“(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services and services and items referred to in sections 403 (a) (3) (B) and 304 (2) with respect to any fiscal year—

“(1) for payment to Puerto Rico shall not exceed $2,000,000,

“(2) for payment to the Virgin Islands shall not exceed $65,000, and

“(3) for payment to Guam shall not exceed $90,000.

“(c) The total amount certified by the Secretary under title XIX with respect to any fiscal year—
“(1) for payment to Puerto Rico shall not exceed $20,000,000,
“(2) for payment to the Virgin Islands shall not exceed $650,000, and
“(3) for payment to Guam shall not exceed $900,000.
“(d) Notwithstanding the provisions of sections 502 (a) and 512 (a) of this Act, and the provisions of sections 421, 503 (1), and 504 (1) of this Act as amended by the Social Security Amendments of 1967, and until such time as the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the initial allotment specified in such sections, allot such smaller amounts to Guam as he may deem appropriate.”

(2) The amendment made by paragraph (1) shall apply with respect to fiscal years beginning after June 30, 1967.

(b) Notwithstanding subparagraphs (A) and (B) of section 403 (a) (3) of such Act (as amended by this Act), the rate specified in such subparagraphs in the case of Puerto Rico, the Virgin Islands, and Guam shall be 60 per centum (rather than 75 or 85 per centum).

(c) Effective July 1, 1969, neither the provisions of clauses (A) through (C) of section 402 (a) (7) of such Act as in effect before the enactment of this Act nor the
provisions of section 402 (a) (8) of such Act as amended by section 202 (b) of this Act shall apply in the case of Puerto Rico, the Virgin Islands, or Guam. Effective no later than July 1, 1972, the State plans of Puerto Rico, the Virgin Islands, and Guam approved under section 402 of such Act shall provide for the disregarding of income in making the determination under section 402 (a) (7) of such Act in amounts (agreed to between the Secretary and the State agencies involved) sufficiently lower than the amounts specified in section 402 (a) (8) of such Act to reflect appropriately the applicable differences in income levels.

(d) The amendment made by section 220 (a) of this Act shall not apply in the case of Puerto Rico, the Virgin Islands, or Guam.

(e) Effective with respect to quarters after 1967, section 1905 (b) of such Act is amended by striking out “55 per centum” and inserting in lieu thereof “50 per centum”.

APPROVAL OF CERTAIN PROJECTS

SEC. 249. Title XI of the Social Security Act is amended by adding at the end thereof (after the new section added by section 209 of this Act) the following new section:

“APPROVAL OF CERTAIN PROJECTS

“SEC. 1120. (a) No payment shall be made under this Act with respect to any experimental, pilot, demonstration,
or other project all or any part of which is wholly financed
with Federal funds made available under this Act (without
any State, local, or other non-Federal financial participation)
unless such project shall have been personally approved by
the Secretary or Under Secretary of Health, Education, and
Welfare.

"(b) As soon as possible after the approval of any proj­
et under subsection (a), the Secretary shall submit to the
Congress a description of such project including a state­
ment of its purpose, probable cost, and expected
duration."

TITLE III—IMPROVEMENT OF CHILD HEALTH
CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V
OF THE SOCIAL SECURITY ACT

Sec. 301. Effective with respect to fiscal years begin­
ing after June 30, 1968, title V of the Social Security Act
(as otherwise amended by this Act) is amended to read as
follows:

"TITLE V—MATERNAL AND CHILD HEALTH
AND CRIPPLED CHILDREN’S SERVICES

"AUTHORIZATION OF APPROPRIATIONS

"Sec. 501. For the purpose of enabling each State to
extend and improve (especially in rural areas and in areas
suffering from severe economic distress), as far as practicable
under the conditions in such State,
"(1) services for reducing infant mortality and otherwise promoting the health of mothers and children; and

"(2) services for locating, and for medical, surgical, corrective, and other services and care for and facilities for diagnosis, hospitalization, and aftercare for, children who are crippled or who are suffering from conditions leading to crippling,

there are authorized to be appropriated $250,000,000 for the fiscal year ending June 30, 1969, $275,000,000 for the fiscal year ending June 30, 1970, $300,000,000 for the fiscal year ending June 30, 1971, $325,000,000 for the fiscal year ending June 30, 1972, and $350,000,000 for the fiscal year ending June 30, 1973, and each fiscal year thereafter.

PURPOSES FOR WHICH FUNDS ARE AVAILABLE

"SEC. 502. (a) Appropriations pursuant to section 501 shall be available for the following purposes in the following proportions:

"(1) In the case of the fiscal year ending June 30, 1969, and each of the next 3 fiscal years, (A) 50 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; (B) 40 percent thereof shall be for grants pursuant to sections 508, 509, and 510; and (C) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.
“(2) In the case of the fiscal year ending June 30, 1973, and each fiscal year thereafter, (A) 90 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; and (B) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.

Not to exceed 5 percent of the appropriation for any fiscal year under this section shall be transferred, at the request of the Secretary, from one of the purposes specified in paragraph (1) or (2) to another purpose or purposes so specified. For each fiscal year, the Secretary shall determine the portion of the appropriation, within the percentage determined above to be available for sections 503 and 504, which shall be available for allotment pursuant to section 503 and the portion thereof which shall be available for allotment pursuant to section 504.

"ALLOTMENTS TO STATES FOR MATERNAL AND CHILD HEALTH SERVICES"

"Sec. 503. The amount determined to be available pursuant to section 502 for allotments under this section shall be allotted for payments for maternal and child health services as follows:

“(1) One-half of such amount shall be allotted by allotting to each State $70,000 plus such part of the remainder of such one-half as he finds that the number
of live births in such State bore to the total number of
live births in the United States in the latest calendar
year for which he has statistics.

“(2) The remaining one-half of such amount shall
(in addition to the allotments under paragraph (1) ) be
allotted to the States from time to time according to the
financial need of each State for assistance in carrying
out its State plan, as determined by the Secretary after
taking into consideration the number of live births in
such State; except that not more than 25 percent of such
one-half shall be available for grants to State agencies
(administering or supervising the administration of a
State plan approved under section 505), and to public
or other nonprofit institutions of higher learning (situ­
at ed in any State), for special projects of regional or na­
tional significance which may contribute to the advance­
ment of maternal and child health.

“ALLOTMENTS TO STATES FOR CRIPPLED CHILDREN’S
SERVICES

“Sec. 504. The amount determined to be available pur­
suant to section 502 for allotments under this section shall
be allotted for payments for crippled children’s services as
follows:

“(1) One-half of such amount shall be allotted by
allotting to each State $70,000 and allotting the re-
mainder of such one-half according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in paragraph (2) of section 501 and the cost of furnishing such services to them.

"(2) The remaining one-half of such amount shall (in addition to the allotments under paragraph (1)) be allotted to the States from time to time according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of crippled children in each State in need of the services referred to in paragraph (2) of section 501 and the cost of furnishing such services to them; except that not more than 25 percent of such one-half shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 505), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of services for crippled children.

"APPROVAL OF STATE PLANS

"Sec. 505. (a) In order to be entitled to payments from allotments under section 502, a State must have a
State plan for maternal and child health services and services for crippled children which—

"(1) provides for financial participation by the State;

"(2) provides for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; except that in the case of those States which on July 1, 1967, provided for administration (or supervision thereof) of the State plan approved under section 513 (as in effect on such date) by a State agency other than the State health agency, the plan of such State may be approved under this section if it would meet the requirements of this subsection except for provision of administration (or supervision thereof) by such other agency for the portion of the plan relating to services for crippled children, and, in each such case, the portion of such 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;

"(3) provides 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) as are necessary for the proper and efficient
operation of the plan;

“(4) provides 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 he may from time to
time find necessary to assure the correctness and verifica-
tion of such reports;

“(5) provides for cooperation with medical, health,
nursing, educational, and welfare groups and organiza-
tions and, with respect to the portion of the plan relating
to services for crippled children, with any agency in
such State charged with administering State laws pro-
viding for vocational rehabilitation of physically handi-
capped children;

“(6) provides 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;

“(7) provides, with respect to the portion of the
plan relating to services for crippled children, for early
identification of children in need of health care and serv-
ices, and for health care and treatment needed to correct
or ameliorate defects or chronic conditions discovered
thereby, through provision of such periodic screening and diagnostic services, and such treatment, care and other measures to correct or ameliorate defects or chronic conditions, as may be provided in regulations of the Secretary;

"(8) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 508 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily helping to reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with child bearing and of satisfactorily helping to reduce infant and maternal mortality;

"(9) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 509 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the health of children and youth of school or preschool age;

"(10) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 510 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the
dental health of children and youth of school or preschool age;

"(11) provides for carrying out the purposes specified in section 501; and

"(12) provides for the development of demonstration services (with special attention to dental care for children and family planning services for mothers) in needy areas and among groups in special need.

"(b) The Secretary shall approve any plan which meets the requirements of subsection (a).

"PAYMENTS

"Sec. 506. (a) From the sums appropriated therefor and the allotments available under section 503(1) or 504 (1), as the case may be, the Secretary shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing July 1, 1968, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan with respect to maternal and child health services and services for crippled children, respectively.

"(b) (1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsection (a) for such quarter, such esti-
mates to be based on (A) a report filed by the State contain­
ing its estimate of the total sum to be expended in such
quarter in accordance with the provisions of such subsec­
tion, and stating the amount appropriated or made avail­
able 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 esti­
mated, reduced or increased to the extent of any overpay­
ment 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) Upon the making of an estimate by the Secretary
under this subsection, any appropriations available for pay­
ments under this section shall be deemed obligated.

"(c) The Secretary shall also from time to time make
payments to the States from their respective allotments pur­
suant to section 503 (2) or 504 (2). Payments of grants
under sections 503 (2), 504 (2), 508, 509, 510, and 511,
and of grants, contracts, or other arrangements under section
may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the section involved.

"(d) The total amount determined under subsections (a) and (b) and the first sentence of subsection (c) for any fiscal year ending after June 30, 1968, shall be reduced by the amount by which the sum expended (as determined by the Secretary) from non-Federal sources for maternal and child health services and services for crippled children for such year is less than the sum expended from such sources for such services for the fiscal year ending June 30, 1968. In the case of any such reduction, the Secretary shall determine the portion thereof which shall be applied, and the manner of applying such reduction, to the amounts otherwise payable from allotments under section 503 or section 504.

"(e) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder from the allotments under section 503 or section 504 for any period after June 30, 1968, unless the State makes a satisfactory showing that it is extending the provision of services, including services for dental care for children and family planning for mothers, to which such State's plan applies in
the State with a view to making such services available by July 1, 1975, to children and mothers in all parts of the State.

"OPERATION OF STATE PLANS

"Sec. 507. 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 505; 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).
“Sec. 508. (a) In order to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing and to help reduce infant and maternal mortality, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, 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, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost (exclusive of general agency overhead) of any project for the provision of—

“(1) necessary health care to prospective mothers (including, after childbirth, health care to mothers and their infants) who have or are likely to have conditions associated with childbearing or are in circumstances which increase the hazards to the health of the mothers or their infants (including those which may cause physical or mental defects in the infants), or

“(2) necessary health care to infants during their
first year of life who have any condition or are in circumstances which increase the hazards to their health, or

"(3) family planning services,

but only if the State or local agency determines that the recipient will not otherwise receive such necessary health care or services because he is from a low-income family or for other reasons beyond his control.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN

"Sec. 509. (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, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, 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 505, 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 percent 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.

"(b) No grant may be made under this section for any project for any period after June 30, 1972."
"SPECIAL PROJECT GRANTS FOR DENTAL HEALTH OF CHILDREN"

"Sec. 510. (a) In order to promote the dental health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make grants, from the sums available under clause (B) of paragraph (1) of section 502, 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, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for dental care and services for children and youth of school age or for preschool children. No project shall be eligible for a grant under this section unless it provides 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 unless it includes (subject to the limitation in the foregoing provisions of this sentence) at least such preventive services, treatment, correction of defects, and after care, for such age groups, as may be provided in regulations of the Secretary. Such projects may also include research looking toward the development of new
methods of diagnosis or treatment, or demonstration of the utilization of dental personnel with various levels of training.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"TRAINING OF PERSONNEL

"Sec. 511. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to public or nonprofit private institutions of higher learning for training personnel for health care and related services for mothers and children, particularly mentally retarded children and children with multiple handicaps. In making such grants, the Secretary shall give priority to programs providing training at the undergraduate level.

"RESEARCH PROJECTS RELATING TO MATERNAL AND CHILD HEALTH SERVICES AND CRIPPLED CHILDREN’S SERVICES

"Sec. 512. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to or jointly financed cooperative arrangements with public or other nonprofit institutions of higher learning, and public or nonprofit private agencies and organizations engaged in research or in maternal and child health or crippled children’s programs, and contracts with public or nonprofit private agencies and organizations engaged in research or in such programs, for research projects relating to maternal and child health
services or crippled children's services which show promise of substantial contribution to the advancement thereof. Effective with respect to grants made and arrangements entered into after June 30, 1968, (1) special emphasis shall be accorded to projects which will help in studying the need for, and the feasibility, costs, and effectiveness of, comprehensive health care programs in which maximum use is made of health personnel with varying levels of training, and in studying methods of training for such programs, and (2) grants under this section may also include funds for the training of health personnel for work in such projects.

"ADMINISTRATION"

"Sec. 513. (a) The Secretary of Health, Education, and Welfare shall make such studies and investigations as will promote the efficient administration of this title.

"(b) Such portion of the appropriations for grants under section 501 as the Secretary may determine, but not exceeding one-half of 1 percent thereof, shall be available for evaluation by the Secretary (directly or by grants or contracts) of the programs for which such appropriations are made and, in the case of allotments from any such appropriation, the amount available for allotments shall be reduced accordingly.

"(c) Any agency, institution, or organization shall, if and to the extent prescribed by the Secretary, as a condition to receipt of grants under this title, cooperate with the State agency administering or supervising the administration of the State plan approved under title XIX in the provision of care
and services, available under a plan or project under this title, for children eligible therefor under such plan approved under title XIX.

"DEFINITION

"Sec. 514. For purposes of this title, a crippled child is an individual under the age of 21 who has an organic disease, defect, or condition which may hinder the achievement of normal growth and development."

CONFORMING AMENDMENTS

Sec. 302. (a) Section 1905(a)(4) of the Social Security Act is amended by inserting "(A)" after "(4)", and by inserting before the semicolon at the end thereof the following: "(B) effective July 1, 1969, such early and periodic screening and diagnosis of individuals who are eligible under the plan and are under the age of 21 to ascertain their physical or mental defects, and such health care, treatment, and other measures to correct or ameliorate defects and chronic conditions discovered thereby, as may be provided in regulations of the Secretary".

(b) Section 1902(a)(11) of such Act is amended by inserting "(A)" after "(11)", and by inserting before the semicolon at the end thereof the following: "(B) effective July 1, 1969, provide, to the extent prescribed by the Secretary, for entering into agreements, with any agency, institution, or organization receiving payments for part or all of the cost of plans or projects under title V, (i) providing for utilizing such agency, institution, or organiza-
tion in furnishing care and services which are available under such plan or project under title V and which are included in the State plan approved under this section and (ii) making such provision as may be appropriate for reimbursing such agency, institution, or organization for the cost of any such care and services furnished any individual for which payment would otherwise be made to the State with respect to him under section 1903”.

1968 AUTHORIZATION FOR MATERNITY AND INFANT CARE PROJECTS

Sec. 303. Section 531 (a) of the Social Security Act is amended by striking out “and $30,000,000 for each of the next three fiscal years” and inserting in lieu thereof “$30,000,000 for each of the next 2 fiscal years, and $35,000,000 for the fiscal year ending June 30, 1968”.

SHORT TITLE

Sec. 304. This title may be cited as the “Child Health Act of 1967”.

TITLE IV—GENERAL PROVISIONS

SOCIAL WORK MANPOWER AND TRAINING

Sec. 401. Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

“GRANTS FOR EXPANSION AND DEVELOPMENT OF UNDERGRADUATE AND GRADUATE PROGRAMS

“Sec. 707. (a) There is authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1969,
and $5,000,000 for each of the three succeeding fiscal years, for grants by the Secretary to public or nonprofit private colleges and universities and to accredited graduate schools of social work or an association of such schools to meet part of the costs of development, expansion, or improvement of (respectively) undergraduate programs in social work and programs for the graduate training of professional social work personnel, including the costs of compensation of additional faculty and administrative personnel and minor improvements of existing facilities. Not less than one-half of the sums appropriated for any fiscal year under the authority of this subsection shall be used by the Secretary for grants with respect to undergraduate programs.

"(b) In considering applications for grants under this section, the Secretary shall take into account the relative need in the States for personnel trained in social work and the effect of the grants thereon.

"(c) Payment of grants under this section may be made (after necessary adjustments on account of previously made overpayments or underpayments) in advance or by way of reimbursement, and on such terms and conditions and in such installments, as the Secretary may determine.

"(d) For purposes of this section—

"(1) the term ‘graduate school of social work’ means a department, school, division, or other administrative unit, in a public or nonprofit private college or university, which provides, primarily or exclusively, a
program of education in social work and allied subjects leading to a graduate degree in social work;

“(2) the term ‘accredited’ as applied to a graduate school of social work refers to a school which is accredited by a body or bodies approved for the purpose by the Commissioner of Education or with respect to which there is evidence satisfactory to the Secretary that it will be so accredited within a reasonable time; and

“(3) the term ‘nonprofit’ as applied to any college or university refers to a college or university which is a corporation or association, or is owned and operated by one or more corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.”

INCENTIVE FOR LOWERING COSTS WHILE MAINTAINING QUALITY AND INCREASING EFFICIENCY IN THE PROVISION OF HEALTH SERVICES

SEC. 402. (a) The Secretary of Health, Education, and Welfare is authorized to develop and engage in experiments under which organizations and institutions which would otherwise be entitled to reimbursement or payment on the basis of reasonable cost for services provided—

(1) under title XVIII of the Social Security Act

(2) under a State plan approved under title XIX of such Act, or

(3) under a plan developed under title V of such Act,
and which are selected by the Secretary in accordance with regulations established by the Secretary, would be reimbursed or paid in any manner mutually agreed upon by the Secretary and the organization or institution. The method of reimbursement which may be applied in such experiments shall be such as the Secretary may select and may be based on charges or costs adjusted by incentive factors and may include specific incentive payments or reductions of payments for the performance of specific actions but in any case shall be such as he determines may, through experiment, be demonstrated to have the effect of increasing the efficiency and economy of health services through the creation of additional incentives to these ends without adversely affecting the quality of such services.

(b) In the case of any experiment under subsection (a), the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the Social Security Act insofar as such requirements relate to reimbursement or payment on the basis of reasonable cost; and costs incurred in such experiment in excess of the costs which would otherwise be reimbursed or paid under such titles may be reimbursed or paid to the extent that such waiver applies to them (with such excess being borne by the Secretary).

(c) Section 1875(b) of the Social Security Act is amended by inserting after “under parts A and B” the fol-
lowing: "(including the experimentation authorized by section 402 of the Social Security Amendments of 1967)."

CHANGES TO REFLECT CODIFICATION OF TITLE 5, UNITED STATES CODE

SEC. 403. (a) (1) Section 210 (a) (6) (C) (iv) of the Social Security Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(2) Section 210 (a) (6) (C) (vi) of such Act is amended by striking out "the Civil Service Retirement Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code, ".

(3) Section 210 (a) (7) (D) (ii) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C. 1052".

(b) Section 215 (h) (1) of such Act is amended—

(1) by striking out "of the Civil Service Retirement Act," and inserting in lieu thereof "of subchapter III of chapter 83 of title 5, United States Code, "; and

(2) by striking out "under the Civil Service Retirement Act" and inserting in lieu thereof "under subchapter III of chapter 83 of title 5, United States Code, ".

(c) (1) Section 217 (f) (1) of such Act is amended—
(A) by striking out “the Civil Service Retirement Act of May 29, 1930, as amended,” and inserting in lieu thereof “subchapter III of chapter 83 of title 5, United States Code,”; and

(B) by striking out “such Act of May 29, 1930, as amended,” and inserting in lieu thereof “such subchapter III”.

(2) Section 217(f) (2) of such Act is amended by striking out “the Civil Service Retirement Act of May 29, 1930, as amended,” and inserting in lieu thereof “subchapter III of chapter 83 of title 5, United States Code,”.

(d) (1) Section 706 (b) of such Act is amended by striking out “the civil service laws” and inserting in lieu thereof “the provisions of title 5, United States Code, governing appointments in the competitive service”.

(2) Section 706 (c) (2) of such Act is amended by striking out “section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2)” and inserting in lieu thereof “section 5703 of title 5, United States Code,”.

(e) (1) Section 1114 (b) of such Act is amended by striking out “the civil-service laws” and inserting in lieu thereof “the provisions of title 5, United States Code, governing appointments in the competitive service”.

(2) Section 1114 (f) of such Act is amended by striking out “the civil-service laws” and inserting in lieu thereof “the provisions of title 5, United States Code, governing appointments in the competitive service”.


(3) Section 1114 (g) of such Act is amended by striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2)" and inserting in lieu thereof "section 5703 of title 5, United States Code."

(f) (1) Section 1501 (a) (6) of such Act is amended by striking out "the Civil Service Retirement Act of 1930" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code."

(2) Section 1501 (a) (9) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(g) (1) Section 1840 (e) (1) of such Act is amended by striking out "the Civil Service Retirement Act, or other Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code, or any other law".

(2) Section 1840 (e) (2) of such Act is amended by striking out "such other Act" and inserting in lieu thereof "such other law".

(h) Section 103 (b) (3) of the Social Security Amendments of 1965 is amended—

(1) by striking out "the Federal Employees Health Benefits Act of 1959" in subparagraph (A) and inserting in lieu thereof "chapter 89 of title 5, United States Code"; and
(2) by striking out "such Act" in subparagraph (C) and inserting in lieu thereof "such chapter".

(i) (1) Section 3121 (b) (6) (C) (iv) of the Internal Revenue Code of 1954 is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(2) Section 3121 (b) (6) (C) (vi) of such Code is amended by striking out "the Civil Service Retirement Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(3) Section 3121 (b) (7) (C) (ii) of such Code is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C. 1052".

MEANING OF SECRETARY

Sec. 404. As used in the amendments made by this Act (unless the context otherwise requires), the term "Secretary" means the Secretary of Health, Education, and Welfare.
A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

By Mr. Mills and Mr. Byrnes of Wisconsin

AUGUST 3, 1967
Referred to the Committee on Ways and Means

AUGUST 7, 1967
Committed to the Committee of the Whole House on the State of the Union and ordered to be printed
SOCIAL SECURITY AMENDMENTS OF 1967

To Administrative, Supervisory, and Technical Employees

The Committee on Ways and Means has completed its consideration of the President's social security proposals that were contained in H. R. 5710. A new bill, reflecting the Committee's decisions on these proposals, will be introduced tomorrow in the House of Representatives by Wilbur D. Mills, Chairman of the Committee, and by John W. Byrnes, the ranking minority member of the Committee.

The Committee's bill will result in additional cash benefit payments of $3.2 billion in 1968—an overall increase of 14-1/2 percent. All people on the benefit rolls will get an increase of at least 12-1/2 percent, with a minimum benefit of $50. H. R. 5710 would have resulted in additional cash benefit payments of $4.5 billion in 1968—an overall increase of 20 percent. All people on the rolls would have gotten an increase of at least 15 percent, with a minimum benefit of $70. The benefit increases will be effective for the second month after the month of enactment rather than for June 1967, as in H. R. 5710.

The Committee's bill will also provide for a lower annual contribution and benefit base than H. R. 5710. Under the Committee's bill the base would increase to $7,600 in 1968; under H. R. 5710 the base would have increased, in three steps, to $10,800 in 1974.

A number of proposals that were in H. R. 5710 will not be in the Committee's bill. Among these are the proposals for health insurance for the disabled, the special minimum benefit, and transfer of Federal employment credits.
The contribution rate increases approved by the Committee are also different from those in H. R. 5710. Both bills provide for an ultimate OASDI rate of 5.0 percent each for employees and employers in 1973 and thereafter. For 1969 and 1970 the rates will be somewhat lower under the Committee's bill than they would have been under H. R. 5710 (and under present law), and for 1971 and 1972 somewhat higher. The same is true for the OASDI rates for the self-employed.

The Committee also approved increases of 0.1 percent beginning in 1969 in the HI tax rates scheduled under present law for employees, employers, and the self-employed. You will recall that H. R. 5710 proposed no changes in these rates.

Enclosed is a summary of the major provisions of the Committee's bill. It is expected that the bill will be debated and voted on by the House next week. We will, of course, keep you informed.

Robert M. Ball
Commissioner

Enclosure
SUMMARY OF PRINCIPAL OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE PROVISIONS OF THE SOCIAL SECURITY BILL AS APPROVED BY THE COMMITTEE ON WAYS AND MEANS OF THE HOUSE OF REPRESENTATIVES

1. CASH BENEFIT CHANGES

(a) Benefit increase for current and future beneficiaries

The bill would provide an across-the-board benefit increase of 12 1/2 percent, with a minimum monthly benefit of $50. The increases would be effective with benefits for the second month after the month of enactment.

The $168 ultimate maximum benefit payable under present law would be increased to $189. In the future, higher creditable earnings would result from an increase in the contribution and benefit base to $7600 a year, also included in the Committee bill, and these higher earnings would make possible higher benefit amounts up to an ultimate maximum benefit of $212, based on average monthly earnings of $633. The ultimate maximum family benefit would be $423.60, as compared with $368 under present law.

(b) Increase in special payments to certain people age 72 and older

The bill would increase from $35 to $40 for a single person, and from $52.50 to $60 for an eligible couple, the amount of the special payments made to people age 72 and older who did not work long enough in covered employment to be insured for regular retirement benefit.

(c) Liberalization of the retirement test

The present $1500 annual exempt amount would be increased to $1680, and the present $125 monthly exempt amount would be raised to $140. The $1200 span above the exempt amount over which $1 in benefits is withheld for each $2 of earnings would be retained; it would be from $1680 to $2880 under the bill.

(d) Eligibility of a child for benefits based on his mother's earnings record

Under the bill a child's dependency on his mother would be determined in the same way as dependency on the father is
determined under present law. Thus a child would always be eligible for benefits on his mother's earnings record if she were insured, unless the child was legally adopted by another person.

This provision would be effective for the second month following the month of enactment, at which time an estimated 175,000 children would be immediately eligible for benefits as a result of the change.

(e) Amendments to the disability program

(1) Benefits for disabled widows and widowers

Disabled widows (including surviving divorced wives) and disabled dependent widowers would be eligible after attainment of age 50 for reduced benefits--amounting to from 50 percent to 82 1/2 percent of the spouse's primary insurance amount, depending on the age at which entitlement begins. To be eligible, the widow or widower must have become totally disabled before or within 7 years after the spouse's death, or, in the case of a widow, before or within 7 years after the end of her entitlement to benefits as a mother. The disabling impairment must be such as to make the widow or widower unable to engage in any gainful activity, rather than unable to engage in any substantial gainful activity as is the case in the requirements for the disabled worker.

(2) Insured status for younger disabled workers

The bill would extend to all workers disabled before age 31--regardless of the nature of their disability--the alternative insured-status requirement provided in present law for workers disabled before age 31 because of blindness.

(3) Definition of disability

While the bill would retain the present definition of disability for workers and adults disabled since childhood, it would add language to the statute that would clarify and amplify the definition, specifying the requirements that must be met to establish the existence of disability.
(4) **Disability benefits affected by receipt of workmen's compensation**

The bill would modify one of the provisions for determining the amount of disability benefits that can be paid when a worker is also eligible for workmen's compensation. Present law permits the disabled worker and his family to receive combined benefits of as much as 80 percent of the worker's average earnings, within the limits of the earnings base, based on the highest five-consecutive-year period after 1950. Under the bill, such average earnings would be determined on the basis of earnings in covered work without regard to the earnings base. For this purpose, wages in excess of the earnings base will generally be projected from posted quarterly earnings.

2. **COVERAGE CHANGES**

(a) **Ministers and members of religious orders**

The coverage provisions for clergymen would be modified to provide that the services a clergyman performs in the exercise of the ministry would be covered unless he elects to have such services excluded because he is conscientiously opposed to the acceptance of social security benefits or other public insurance payments based on his services in the ministry. Under the bill services performed by a member of a religious order who has taken a vow of poverty would be covered on the same basis as services performed by clergymen.

(b) **Military-service wage credits**

Servicemen would be provided noncontributory wage credits of $100 for each month of active duty after December 31, 1967, in addition to social security credits earned through present coverage of their basic pay. The new credits would take account of the fact that servicemen do not receive contributory credits for the substantial value of food, shelter, and various allowances. The social security trust funds would be reimbursed from general revenues for the cost of the additional benefits that would be payable as a result of the noncontributory credits.
(a) **Method of payment for physicians' services**

The bill would make available a new procedure for requesting payment for services for which payment under the medical insurance program is made on the basis of reasonable charges which would serve as an alternative to the assignment and receipted bill payment procedures provided for under present law. The new procedure would permit physicians (and others who furnish services for which payment under the medical insurance program is made on the basis of reasonable charges) to receive medical insurance payments on the basis of an itemized bill without having to agree, as under the assignment method, to accept the program's allowable charges as payment in full if the bill is submitted in an acceptable manner and if the total charges do not, in fact, exceed the program's allowable charges. Where these conditions are not met or where the physician requests that the benefits be paid to the patient, payment would be made to the beneficiary on the basis of an acceptable itemized bill.

(b) **Elimination of certain physician certification requirements**

The bill would restrict the hospital insurance program requirement that there be a physician's certification of medical necessity with respect to each admission to a hospital so that the requirement would apply only to admissions to psychiatric and tuberculosis institutions. The requirement for a physician's certification for outpatient hospital services would also be eliminated. The requirement in present law that there be a physician certification with respect to stays of extended duration in all participating hospitals would be retained.

(c) **Additional days of hospital care**

The bill provides for an additional 30 days of coverage of inpatient hospital services in a spell of illness (up to 120 days in total) with a coinsurance amount equal to one-half the inpatient hospital deductible ($20 initially) applicable to each of such 30 days.

(d) **Transitional provision on eligibility of presently uninsured individuals for hospital insurance benefits**

The requirements for entitlement to hospital insurance protection after 1967 would be increased more gradually than under present law. Under the bill, the minimum number of quarters of coverage required for hospital insurance protection would be reduced from the present 6 quarters of coverage to 3 quarters for persons who
attain age 65 in 1968, and who are not insured for social security or railroad retirement cash benefits. Comparable reductions would be made in the number of quarters of coverage that present law requires in the case of people who attain age 65 in subsequent years.

(e) Simplification of reimbursement to hospitals for certain services

The bill would: (1) provide that the full reasonable charges (no deductible or coinsurance) will be paid under the medical insurance program for covered radiological and pathological services furnished by physicians to hospital inpatients; (2) consolidate all coverage of outpatient hospital services under the medical insurance program by transferring coverage of outpatient hospital diagnostic services from the hospital insurance program to that program, and (3) allow hospitals to bill medicare patients directly for small outpatient charges (subject to final settlement in accordance with present cost-reimbursement provisions). These changes would simplify beneficiary understanding and facilitate hospital and intermediary handling of medicare claims by bringing the requirements of the medicare program more closely into line with the usual billing practices of hospitals and the payment methods of private insurance organizations.

(f) Inclusion of podiatrists' services

The bill would cover the nonroutine services of doctors of podiatry or surgical chiropody under the medical insurance program. In addition, the bill would exclude routine foot care from coverage whether performed by a podiatrist or a medical doctor.

(g) Enrollment under the supplementary medical insurance plan on basis of an alleged date of attainment of age 65

The bill would provide that a person who has attained age 65 but who failed to enroll in the supplementary medical insurance plan during his "initial enrollment period" because he was mistaken about his correct age could enroll in the medical insurance plan, provided his mistake resulted from his reliance on documentary evidence which proved to be incorrect. Such a person would use the date of attainment of age 65 shown on the erroneous documentary evidence as a basis for his enrollment.

(h) Reimbursement experimentation to provide incentive to lower costs while maintaining quality in the provision of health services

The bill would authorize the Secretary to experiment in reimbursing on a basis other than that of reasonable costs a limited number of organizations and institutions for services of types that are paid
for on a reasonable cost basis under title V, XVIII, and XIX. The other reimbursement bases which would be used in the experiment would be those which might prove useful in increasing the efficiency and economy of providing health services while maintaining quality of care.

(i) 

Advisory council study of health insurance for disabled

The bill would establish an advisory council, to be appointed in 1968, to study the question of providing health insurance protection for the disabled under title XVIII, and to report its findings to the Secretary of Health, Education, and Welfare not later than January 1, 1969, along with its recommendations on how such protection should be financed.

4. MISCELLANEOUS AND TECHNICAL AMENDMENTS

The bill contains a number of miscellaneous and technical amendments, including:

(a) Eligibility of adopted child for monthly benefits

Under the bill benefits would be payable to a child adopted by the surviving spouse of a worker after the worker died if before his death the worker had initiated proceedings to adopt the child or the child had been placed in the worker's home for adoption, even if the adoption was not completed within 2 years after his death, as now required.

(b) Underpayments

The bill would provide that cash benefits due a beneficiary at the time of his death are to be paid in the following order of priority: (1) to the surviving spouse entitled to benefits on the same earnings record as the deceased beneficiary; (2) to the entitled child or children; (3) to the entitled parent or parents; (4) to the legal representative of the estate; (5) to the surviving spouse not entitled to benefits on the same earnings record; (6) to the child or children not entitled to benefits on the same earnings record.

The bill would also provide for settlement of claims for unpaid medical insurance benefits in cases where the beneficiary dies after receiving covered services for which reimbursement is due but before reimbursement has been made to the beneficiary or an assignment of the benefits has been effected. Where the bill for the services has been paid, the benefits would be paid in the following order of priority: (1) to the person who paid the bill (if someone other than the beneficiary); (2) to the legal representative of the beneficiary's estate, if any; (3) to the
surviving spouse living with the deceased beneficiary at the time of his death; (4) to a surviving spouse entitled to a monthly social security benefit based on the earnings of the deceased beneficiary; (5) to the child or children of the deceased beneficiary (in equal parts).

Where the bill has not been paid, the benefits could be paid to the physician (or other supplier of services) who provided the services, but only if the physician (or other supplier) agrees to accept the reasonable charge for the services as his full charge.

(c) **Simplification of certain benefit computations using pre-1951 earnings**

The bill would simplify the method of computing benefits when earnings before 1951 are included in the computation and of determining quarters of coverage for the period before 1951 when quarters of coverage in this period are needed to establish insured status. By prescribing a formula for converting the aggregate of pre-1951 earnings into deemed annual earnings and quarters of coverage, the bill makes it possible to determine insured status and the benefit amounts through electronic data processes in many cases in which manual processes are now required.

(d) **Duration-of-relationship requirements**

The bill would reduce from one year to 9 months the duration-of-relationship requirements that a widow, widower, and stepchild of a deceased worker must meet in order to qualify for benefits based on that worker's earnings. It would further modify the duration-of-relationship requirements for widows, widowers, and stepchildren of deceased workers so that in place of the 9-month provision a 3-month period would apply to the widow, widower, or stepchild of a member of the uniformed services of the United States whose death occurs in line of duty, or of an individual whose death was accidental, unless the Secretary determines that at the time of the marriage the member of the uniformed services or person who suffered an accidental death could not reasonably have been expected to live for 9 months.

(e) **Elimination of the currently insured requirement for entitlement to husband's and widower's benefits**

The bill would eliminate the present requirement that a woman must have had at least 1 1/2 years of covered work within the 3-year period prior to her retirement, disability, or death in order for her dependent husband or widower to qualify for benefits based on her earnings. It is estimated that about 5,000 husbands and widowers would immediately qualify for benefits under this provision.
5. FINANCING OF SOCIAL SECURITY BILL

The favorable actuarial balance of 0.74 percent of payroll that the program has is sufficient to finance about three-fifths of the cost of the cash benefit provisions in the bill. The remaining cost of the cash benefit provisions and the cost of the health insurance provisions would be financed by: (1) An increase in the contribution and benefit base from $6600 to $7600 (effective January 1, 1968), and (2) revised contribution rate schedules for the cash benefits and hospital insurance parts of the program. There would be no increases in the contribution rates for 1968. The ultimate contribution rate for hospital insurance would be increased from 0.80 percent to 0.90 percent beginning in 1987.

The contribution rate schedules under present law and under the bill are as follows:

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<th>Total</th>
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<tr>
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<td>Employer-Employee, Each</td>
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<tr>
<td>1973-75</td>
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<td>0.55</td>
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<tr>
<td>1987 and after</td>
<td>4.85</td>
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| Self-Employed | | | | | | |
| 1967          | 5.9%  | 5.9%       | 0.5% | 0.5%       | 6.4%  | 6.4%       |
| 1968          | 5.9   | 5.9        | 0.5   | 0.5        | 6.4   | 6.4        |
| 1969-70       | 6.6   | 6.3        | 0.5   | 0.6        | 7.1   | 6.9        |
| 1971-72       | 6.6   | 6.9        | 0.5   | 0.6        | 7.1   | 7.5        |
| 1973-75       | 7.0   | 7.0        | 0.55  | 0.65       | 7.55  | 7.65       |
| 1987 and after| 7.0   | 7.0        | 0.8   | 0.9        | 7.8   | 7.9        |
Estimated Number of People Who Will Get Additional Cash Benefits or Cash Benefits for the First Time under the Bill and Amount of Additional Benefits Payable in 1968

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<thead>
<tr>
<th>Provision</th>
<th>Number of People</th>
<th>Additional Benefits (In millions)</th>
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<tbody>
<tr>
<td>12 1/2-percent benefit increase ($50 minimum benefit)</td>
<td>22,900,000</td>
<td>$2,812</td>
</tr>
<tr>
<td>Increase in benefits for certain people age 72 and over</td>
<td>902,000</td>
<td>59</td>
</tr>
<tr>
<td>Disabled widows and widowers who have reached age 50</td>
<td>65,000</td>
<td>60</td>
</tr>
<tr>
<td>Workers disabled before age 31 and their dependents</td>
<td>100,000</td>
<td>70</td>
</tr>
<tr>
<td>Liberalized provisions for dependents of women workers</td>
<td>180,000</td>
<td>85</td>
</tr>
<tr>
<td>Modification of the earnings test</td>
<td>760,000</td>
<td>140</td>
</tr>
<tr>
<td>Total additional benefits</td>
<td></td>
<td>$3,226</td>
</tr>
</tbody>
</table>
SUMMARY OF PROVISIONS
OF
H.R. 12080
THE "SOCIAL SECURITY AMENDMENTS
OF 1967"
As Introduced on August 3, 1967
by Chairman Wilbur D. Mills
and Co-Sponsored by
Honorable John W. Byrnes
AND REPORTED TO THE
HOUSE OF REPRESENTATIVES
BY THE
COMMITTEE ON WAYS AND MEANS
on August 7, 1967
(House Report No. 544, 90th Congress)

Prepared by the staff of the Committee on Ways and Means for the
information and use of the Committee and the interested public
COMMITTEE ON WAYS AND MEANS

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GEORGE BUSH, Texas
WILLIAM H. QUEALY, Minority Counsel

LEO H. IRWIN, Chief Counsel
JOHN M. MARTIN, Jr., Assistant Chief Counsel
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<td>2</td>
</tr>
<tr>
<td>Earnings limitation</td>
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<td>The dependency of the child on his mother</td>
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<td>Coverage of State and local employees</td>
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<td>Definition of “widow,” “widower,” and “stepchild”</td>
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<td>Limitation on wife’s benefit</td>
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<td>Requirements for husband’s and widower’s insurance benefits</td>
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<tr>
<td>Disability benefits affected by the receipt of workmen’s compensation</td>
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<tr>
<td>Retirement income of retired partners</td>
<td>5</td>
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<td>Underpayments</td>
<td>5</td>
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<tr>
<td>Simplification of benefit computation</td>
<td>5</td>
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<tr>
<td>Extension of time for filing reports of earnings</td>
<td>5</td>
</tr>
<tr>
<td>Penalties for failure to file timely reports of earnings</td>
<td>5</td>
</tr>
<tr>
<td>Limitation on payment of benefits to aliens outside the United States</td>
<td>5</td>
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<td>6</td>
</tr>
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<td>Report of Board of Trustees</td>
<td>6</td>
</tr>
<tr>
<td>Advisory Council on Social Security</td>
<td>6</td>
</tr>
<tr>
<td>General saving provision</td>
<td>6</td>
</tr>
<tr>
<td>Number of people affected and additional benefit payments</td>
<td>6</td>
</tr>
</tbody>
</table>

## B. HEALTH INSURANCE

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of an Advisory Council to make recommendations concerning health insurance for disability beneficiaries</td>
<td>7</td>
</tr>
<tr>
<td>Increase in number of covered hospital days</td>
<td>8</td>
</tr>
<tr>
<td>Payment to physicians under the supplementary medical insurance program</td>
<td>8</td>
</tr>
<tr>
<td>Transfer of outpatient hospital services to the supplementary medical insurance program</td>
<td>8</td>
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<tr>
<td>Requirement that a physician certify the need for hospital services</td>
<td>8</td>
</tr>
<tr>
<td>Experimentation with hospital reimbursement methods</td>
<td>8</td>
</tr>
<tr>
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<td>8</td>
</tr>
<tr>
<td>Blood deductibles</td>
<td>9</td>
</tr>
<tr>
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</tr>
<tr>
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<td>9</td>
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<tr>
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<tr>
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<td>10</td>
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<tr>
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<td>10</td>
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<td>10</td>
</tr>
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<td>10</td>
</tr>
<tr>
<td>Simplified billing for outpatient hospital services</td>
<td>10</td>
</tr>
</tbody>
</table>

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SUMMARY OF PRINCIPAL PROVISIONS OF H.R. 12080, THE
"SOCIAL SECURITY AMENDMENTS OF 1967"

I. Old-Age, Survivors, and Disability and Health Insurance
Programs

A. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Increase in social security benefits

The bill would provide a general benefit increase of 12 1/2 percent for people on the rolls. As a result, the average monthly benefit paid to retired workers and their wives now on the rolls would increase from $145 to $164. The minimum benefit would be increased from $44 to $50 a month. Under the bill monthly benefits would range from $50 to $159.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later. Under existing law, the benefit range for such retired people now receiving old-age benefits is $44 to $142 a month.

The bill embodies the principle that the retirement benefit of a man age 65 and his wife should represent at least 50 percent of his average wages under the social security system. Present law provides a 46-percent income replacement for a couple if the man has paid the maximum social security taxes.

The special benefit paid to certain uninsured individuals aged 72 and over would be increased from $35 to $40 a month for a single person and from $52.50 to $60 a month for a couple.

The amount of earnings which would be subject to tax and could be used in the computation of benefits would be increased from $6,600 to $7,600 a year, effective January 1, 1968.

The $168 maximum benefit (based on average monthly earnings of $550—or a wage base of $6,600) eventually payable under present law would be increased to $189 on the basis of the same monthly earnings. The increase in the amount of earnings that can be used in the benefit computation would result in a maximum benefit of $212 (based on average monthly earnings of $633—or a wage base of $7,600) in the future. The maximum benefits payable to a family on a single earnings record would be $423.60. Of course, to qualify for the maximum retirement benefits just outlined, a wage earner must have earned the maximum under the new wage base for a number of years in the future.

Effective date: The increased benefits would be first payable for the second month after the month in which the bill is enacted. It is estimated that 23.8 million people would be paid increased benefits for the effective month and, as a result of the benefit increase, $2.9 billion in additional benefits would be paid out in 1968. Of this amount, $52 million would be paid out of general revenues as benefits for 778,000 people over 72 who have not worked long enough to be insured under the social security program.
ILLUSTRATIVE MONTHLY BENEFITS PAYABLE UNDER PRESENT LAW AND UNDER THE COMMITTEE'S BILL ARE SHOWN IN THE FOLLOWING TABLE

<table>
<thead>
<tr>
<th>Average monthly earnings</th>
<th>Worker</th>
<th>Man and wife</th>
<th>Widow, widower, or parent, age 62</th>
<th>Widow and 2 children</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Bill</td>
<td>Present law</td>
<td>Bill</td>
</tr>
<tr>
<td>$87</td>
<td>$44.00</td>
<td>$50.00</td>
<td>$66.00</td>
<td>$75.00</td>
</tr>
<tr>
<td>$150</td>
<td>78.20</td>
<td>85.00</td>
<td>117.30</td>
<td>130.00</td>
</tr>
<tr>
<td>$200</td>
<td>101.70</td>
<td>114.50</td>
<td>152.60</td>
<td>171.80</td>
</tr>
<tr>
<td>$250</td>
<td>124.20</td>
<td>139.80</td>
<td>186.60</td>
<td>209.70</td>
</tr>
<tr>
<td>$300</td>
<td>155.90</td>
<td>172.00</td>
<td>213.30</td>
<td>239.70</td>
</tr>
<tr>
<td>$350</td>
<td>186.00</td>
<td>199.00</td>
<td>243.60</td>
<td>272.40</td>
</tr>
<tr>
<td>$400</td>
<td>212.00</td>
<td>222.00</td>
<td>273.00</td>
<td>300.40</td>
</tr>
</tbody>
</table>

1 For a worker who is disabled or who is age 65 or older at the time of retirement and a wife age 65 or older at the time when the comes on the rolls.
2 Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife, except that the total benefits would always equal 150 percent of the worker’s primary insurance amount; it would not be limited to $217.
3 For families already on the benefit rolls 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.
4 Not applicable, since the highest possible average earnings amount is $550.

Benefits to disabled widows and widowers

Under H.R. 12080 monthly social security benefits would be payable between ages 50 and 62 to disabled widows and widowers of covered deceased workers. If benefits are first payable at age 50, they would be 50 percent of the primary insurance amount. The amount would increase on a graduated basis, depending on the age at which benefits begin, up to 82 1/2 percent of the primary insurance amount at age 62. The reduction would continue to apply to benefits payable after age 62.

A special definition of disability that would apply to a widow and widower would also be provided. Under this definition a person would be disabled only if the disability is one that, under regulations prescribed by the Secretary of Health, Education, and Welfare, is deemed to be severe enough to preclude any gainful activity.

Effective date: Monthly benefits for disabled widows would be payable for the second month after the month in which the bill is enacted. An estimated 65,000 disabled widows and widowers would be eligible for benefits on enactment and an estimated $60 million in benefits would be paid in 1968.

Earnings limitation

The bill would increase the amount a person may earn without having his social security benefits withheld. Under the present law, a person who earns more than $1,500 a year loses some or all of his benefits depending on how much he earns. However, he is paid benefits for any month in which he earns not more than $125. The amount a person may earn and still get all of his benefits would be increased from $1,500 to $1,650 a year. The amount to which the $1 for $2 reduction would apply would range from $1,650 to $2,680 a year rather than from $1,500 to $2,700 as current law provides. Also, the amount a person may earn in 1 month and still get full benefits for that month (regardless of how much he earns in the year) would be increased from $125 to $140.

Effective date: The provision would be effective for earnings in 1968 and would provide additional benefits amounting to $140 million for some 760,000 people during 1968.
The dependency of the child on his mother

A child would be deemed dependent on his mother under the same conditions that, under present law, a child is deemed dependent on his father. As a result, a child could become entitled to benefits if at the time his mother dies, or retires, or becomes disabled, she was either fully or currently insured. Under present law, currently insured status (coverage in six out of the last 13 quarters ending with death, retirement or disability) is required unless the mother was actually supporting the child.

Effective date: Children's benefits would be payable under this provision beginning with the second month after the month in which the bill is enacted. An estimated 175,000 children would become entitled to benefits at that time and an estimated $82 million in additional benefits would be payable in 1968.

Definition of “disability”

Reflecting the concern about the rising cost of the disability insurance program and the way the definition of “disability” has been interpreted, H.R. 12080 would provide a more detailed definition of “disability.” New guidelines would be provided in the law under which a person could be determined to be disabled only if he is unable to engage in any kind of substantial gainful work which exists in the national economy even though such work does not exist in the general area in which he lives.

Insured status for workers disabled while young

The bill would allow a worker who becomes disabled before the age of 31 to qualify for disability insurance if he worked in one-half of the quarters between the time he is 21 and the time he is disabled, with a minimum of six quarters of coverage. This requirement would be an alternative to the present requirement that the worker must have had a total of 5 years out of the last 10 years in covered employment.

Effective date: Benefits under this provision would be payable for the second month after the month in which the bill is enacted.

It is estimated that about 100,000 people, disabled workers and their dependents, would become entitled to benefits on enactment and that $70 million in benefits would be paid in 1968.

Additional wage credits for servicemen

For social security benefit purposes, the bill would provide that the pay of a person in the uniformed service would be deemed to be $100 a month more than his basic pay. The additional cost of paying the benefits resulting from this provision would be paid out of general revenues.

Effective date: The increased wage credits would be granted for service after 1967.

Coverage of clergymen

Under the present law (beginning with the 1954 amendments) clergymen and members of religious orders (except those who have taken a vow of poverty) can become covered under the social security program at their own option if the option is exercised within the first 2 years of their ministry. The bill would change this provision so
that the services a clergyman performs in the exercise of his ministry would be covered automatically unless, within 2 years after becoming a clergyman or 2 years after the enactment of the bill, he states that he is conscientiously opposed to social security coverage of such services. The services performed by a member of a religious order who has taken a vow of poverty would be covered or excluded on the same basis as services performed by clergymen.

Coverage of State and local employees
The bill would make four separate changes in the law with respect to the coverage of State and local employees.

The bill would facilitate the coverage, when coverage is extended to a retirement system coverage group under the divided retirement system provision, of persons who are in positions under the State or local retirement system but are personally ineligible for coverage under such system.

Under the bill, the services of a person who is employed on a temporary basis for certain emergency services (e.g., in time of floods) cannot be covered by social security beginning January 1, 1968. Such an exclusion is now optional with the States.

Under the bill, a State may, at its option, exclude from social security coverage election officials or election workers who are paid less than $50 in a calendar quarter.

Also, the bill would add Illinois to the list of States which may use the divided retirement system procedure for extending coverage.

Definition of "widow," "widower," and "stepchild"
Under the bill a widow, widower, or stepchild would be considered as such for social security purposes if the marriage existed for 9 months, or, in case of death in line of duty in the uniformed service, and in case of accidental death, if the marriage existed for 3 months, unless it is determined that the deceased individual could not have reasonably been expected to live for 9 months at the time the marriage occurred. Under present law a marriage must have existed for 12 months.

Limitation on wife's benefit
Under the bill, there would be instituted a limitation on the wife's benefit of a maximum of $105 a month. The effect of this provision will not be felt until many years into the future.

Requirements for husband's and widower's insurance benefits
The requirement in present law that a dependent husband or widower may become entitled to social security benefits on his wife's earnings only if his wife is currently insured at the time she died, became disabled, or retired would be repealed by the bill.

Disability benefits affected by the receipt of workmen's compensation
A change would be made so that in reducing the social security benefits payable to a person who is also entitled to workmen's compensation, the computation of his average earnings can include earnings in excess of the annual amount taxable under social security.
Retirement income of retired partners

Under the bill, certain partnership income of retired partners would not be taxed or credited for social security purposes.

Effective date: Taxable years beginning after 1967.

Underpayments

An order of priority for the payment of benefits due to a person who has died would be provided by the bill. The benefits would be paid in the following order: (1) to his surviving spouse if she was entitled to benefits on the same earnings record as the deceased beneficiary, (2) to his child or children if they were entitled to benefits on the same earnings record as the deceased beneficiary, (3) to his parent or parents if they were entitled to benefits on the same earnings record as the beneficiary, (4) to the legal representative of the deceased beneficiary's estate, (5) to his surviving spouse not entitled to benefits on the same earnings record, and (6) to his child or children not entitled to benefits on the same earnings record.

A somewhat different procedure would be followed in the case of claims for benefits on behalf of deceased individuals under the supplementary medical insurance program. For claims where the bill for services had been paid, the benefit would be payable, first, to the person who paid for the services; second, to the estate of the person; and third, to the widow, or, if none, children of the individual. Where the bill for services had not been paid, the benefit would be payable to the person who provided the services if he agreed to accept the amount determined to be the reasonable charge as the full charge for his services.

Effective date: The provision would apply to both past and future payments.

Simplification of benefit computation

Where wages earned before 1951 are used in the benefit computation, the bill would allow certain assumptions to be made so that the benefit could be computed by mechanical means.

Extension of time for filing reports of earnings

The Secretary of Health, Education, and Welfare would be authorized to grant an extension of the time in which a person may file his report of earnings for earnings test purposes if there is a valid reason for his not filing it on time. Permission to file a late report may be given in advance of the date on which the report is to be filed.

Penalties for failure to file timely reports of earnings

Under the present law, it is possible for a person to be penalized, because of his failure to file a timely report of earnings under the retirement test, in an amount in excess of the benefit that must be withheld. The amendments would eliminate the possibility of this occurring in the future.

Limitation on payment of benefits to aliens outside the United States

Under present law, an alien who is outside the United States for 6 consecutive months has his benefits withheld under certain conditions. This provision would be changed so that, for purposes of the 6-month provision, an alien who is outside the United States for more than 30 days would be considered outside the United States until he
returns to the United States for 30 consecutive days within 6 months after he leaves the country.

An additional provision would be added so that when a person who is not a citizen of the United States is outside the United States for 6 months or more, he could be paid benefits only if he is a citizen of a country that provides reciprocity under its social security system for the payment of benefits to U.S. citizens who are living outside that country. (Payment would continue to be made under certain circumstances to a person who is a citizen of a country that has no generally applicable social security system.)

Also, benefits would not be payable to an alien living in a country in which the Treasury has suspended payments. Any amounts currently accumulated for aliens now living in countries where payment cannot be made would be limited to 12 monthly benefits.

Disclosure to courts of whereabouts of certain individuals

Upon request, the Social Security Administration would furnish an appropriate court with the most recent address of a deserting father if the court wishes the information in connection with a support or maintenance order for a child.

Report of Board of Trustees

The date on which the annual report of the trustees of the social security trust funds is due would be changed from March 1 to April 1. The report would contain a separate actuarial analysis of the benefit disbursements made from the old-age and survivors insurance trust fund with respect to disabled beneficiaries.

Advisory Council on Social Security

The Secretary would appoint a member of the Advisory Council on Social Security to be its chairman.

The Advisory Councils on Social Security would be appointed in 1969 and every 4th year thereafter instead of 1968 and every 5th year thereafter as under present law.

General saving provision

Where a person becomes entitled to benefits as a result of the Social Security Amendments of 1967, the benefit paid to any other person on the same account would not be reduced by the family maximum provision because the new person became entitled to benefits.

Number of people affected by the bill and additional benefit payments

<table>
<thead>
<tr>
<th>Item</th>
<th>1968</th>
<th>1972</th>
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<tbody>
<tr>
<td>12½-pct. benefit increase</td>
<td>$2,812</td>
<td>$3,324</td>
</tr>
<tr>
<td>Benefit increase for transitional insured</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Benefit increase for transitional uninsured</td>
<td>52</td>
<td>25</td>
</tr>
<tr>
<td>Liberalized benefits with respect to women workers</td>
<td>85</td>
<td>100</td>
</tr>
<tr>
<td>Special disability insured status under age 31</td>
<td>70</td>
<td>77</td>
</tr>
<tr>
<td>Disabled widow's benefits at age 50</td>
<td>60</td>
<td>72</td>
</tr>
<tr>
<td>Earnings test liberalization</td>
<td>140</td>
<td>244</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,226</strong></td>
<td><strong>3,847</strong></td>
</tr>
</tbody>
</table>
The estimated numbers of persons who will either receive additional benefits or receive benefits for the first time and estimated benefits are shown below:

I. Beneficiaries in current-payment status on Dec. 31, 1967, whose benefits for December (assumed to be the effective month) will be increased ------------------------------------------ 23,750,000

II. Estimated number of persons who can receive a benefit for December 1967 (assumed to be the effective month) under the OASDI program as modified by the bill but who cannot receive a benefit for December 1967 under present law -------------- 415,000

Dependents of women workers fully but not currently insured at time of death, disability, or retirement, total... 180,000
Husbands and widowers ................................... 5,000
Workers disabled before attaining age 31, and their dependents .............................................. 100,000
Disabled widows and widowers who have reached age 50... 65,000
Noninsured persons aged 72 and over:
Persons, now public assistance recipients, who can receive a full payment............................... 20,000
Persons, receiving a governmental pension, who can receive a reduced payment not exceeding $5 per month .............................................................. 50,000

III. Estimated number of persons affected in 1968 by the modification of the earnings test------------------------------------- 760,000

Persons who can receive no benefits for 1968 under the earnings test in present law but who will receive some benefits for 1968 under the test as modified by the bill------------- 50,000
Persons who can receive some benefits for 1968 under the earnings test in present law but who will receive more benefits under the test as modified by the bill............. 710,000

AVERAGE BENEFITS FOR SELECTED BENEFICIARY CATEGORIES IN CURRENT-PAYMENT STATUS
DEC. 31, 1967, UNDER PRESENT LAW AND H.R. 12080

<table>
<thead>
<tr>
<th>Family groups:</th>
<th>Present law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired worker</td>
<td>$82</td>
<td>$92</td>
</tr>
<tr>
<td>Male retired worker</td>
<td>63</td>
<td>155</td>
</tr>
<tr>
<td>Retired worker and aged wife</td>
<td>145</td>
<td>164</td>
</tr>
<tr>
<td>Aged widow only</td>
<td>75</td>
<td>84</td>
</tr>
<tr>
<td>Widowed mother and 2 children</td>
<td>223</td>
<td>251</td>
</tr>
<tr>
<td>Disabled worker, wife, and 1 or more children</td>
<td>212</td>
<td>239</td>
</tr>
<tr>
<td>Beneficiary group: All retired workers</td>
<td>85</td>
<td>96</td>
</tr>
</tbody>
</table>

B. HEALTH INSURANCE

Creation of an Advisory Council to make recommendations concerning health insurance for disability beneficiaries

The bill would require the Secretary of Health, Education, and Welfare to establish an Advisory Council to study the problems relative to including the disabled under the health insurance program, and also any special problems with regard to the costs which would be involved in such coverage. The Council is to make its report by January 1, 1969.
Increase in number of covered hospital days

The number of days of hospitalization which could be covered in a spell of illness would be increased from 90 to 120 days. However, the patient would have to pay a coinsurance amount of $20 per day for those additional days (subject to adjustment after 1968, depending on the trend of hospital costs).

Effective date: January 1, 1968.

Payment to physicians under the supplementary medical insurance program

In addition to the two methods of paying for physicians’ services provided under existing law (receipted bill and assignment), the following method would be provided: A physician would be permitted to submit his itemized bill to the insurance carrier for payment. Payment would be made to him if the bill was no more than the reasonable charge for the services as determined by the carrier. If the charge was higher than the reasonable charge, the payment would go to the patient. If the physician does not wish to receive the payment himself, he may direct that payment be made to the patient. If the physician is unwilling to submit the bill to the carrier, the patient may submit the itemized bill and be paid. As under present law payment would be limited to 80 percent of the reasonable charge.

Effective date: The amendment would be effective with respect to payments for services furnished in or after January 1968.

Transfer of outpatient hospital services to the supplementary medical insurance program

Hospital outpatient diagnostic services would be covered under the supplementary medical insurance program rather than under the hospital insurance program as under present law. The effect of the change is that all hospital outpatient benefits would be covered under the supplementary medical insurance program and thus subject to the deductible ($50 a year) and coinsurance features (20 percent).

Effective date: January 1, 1968.

Requirement that a physician certify the need for hospital services

The requirement in the present law that a physician certify that an in-patient of a general hospital requires hospitalization at the time the individual enters the hospital or that a patient requires hospital outpatient services would be eliminated.

Experimentation with hospital reimbursement methods

The Department of Health, Education, and Welfare would be given authority to experiment with alternative methods of reimbursing hospitals under medicare, medicaid, and the child health programs which would provide incentives to keep costs down while maintaining quality of care.

Payment for purchase of durable medical equipment

Payment for durable medical equipment needed by an individual would be made on a rental basis or a purchase basis, whichever would be more economical.

Effective date: January 1, 1968.
Blood deductibles

A unit of packed red blood cells would be treated as a pint of blood for deductible purposes under the hospital insurance program; the patient would have to replace 2 pints of blood for the first pint of blood received (rather than 1 pint as under present law) for purposes of the 3-pint deductible; and the 3-pint deductible provisions would apply to the supplementary medical insurance program as well as to the hospital insurance program.

Effective date: January 1, 1968.

Enrollment under supplementary medical insurance program

An individual who is over 65, but believes, on the basis of documentary evidence, that he has just reached age 65, would be allowed to enroll in the supplementary medical insurance program as if he had attained age 65 on the date shown in the evidence.

Effective date: Enrollments after month of enactment.

Transitional provisions for uninsured individuals under the hospital insurance program

A person who attains age 65 in 1968 could become entitled to hospital insurance benefits if he has a minimum of three quarters of coverage (existing law requires six). The number needed by persons who reach age 65 in later years would increase by three in each year until the regular insured status requirement is met.

Reimbursement for civil service retirement annuitants for premium payments under the supplementary medical insurance program

Federal employee health benefit plans would be permitted to reimburse certain civil service retirement annuitants who are members of group health plans for the premium payments they make to the supplementary medical insurance program.

Effective: Upon enactment.

Appropriation to supplementary medical insurance trust fund

Whenever the transfer of general revenue funds to the supplementary medical insurance trust fund is not made at the time the enrollee contribution is made, the general revenues of the Treasury would pay, in addition to the Government share, an amount equal to the interest that would be paid had the transfer been made on time. Also, the contingency reserve now provided for 1966 and 1967 would be made available through 1969.

Health Insurance Benefits Advisory Council

The Health Insurance Benefits Advisory Council established under present law would assume the duties of the National Medical Review Committee called for under present law. (The Medical Review Committee has not yet been formed.) The Health Insurance Benefits Advisory Council membership would be increased from 16 to 19 persons.

Podiatry services

The definition of a physician would be amended to include a doctor of podiatry with respect to the functions he is authorized to perform.
under the laws of the State in which he works. However, no payment would be made for routine foot care whether performed by a podiatrist or a medical doctor. 

**Effective date:** January 1, 1968.

**Payment for certain radiological or pathological services**

The payment of full reasonable charges for radiological or pathological services furnished by physicians to hospital inpatients would be authorized. Under existing law, a 20-percent coinsurance is applicable. 

**Effective date:** January 1, 1968.

**Payment for physical therapy**

Coverage under the supplementary medical insurance program of physical therapy that is furnished to an outpatient in his home or in a nursing home would be extended to include such services provided under the supervision of a hospital. 

**Effective date:** January 1, 1968.

**Payment for portable X-ray services**

Diagnostic X-rays taken in a patient’s home or in a nursing home would be covered under the supplementary medical insurance program if they are provided under the supervision of a physician, and subject to health and safety regulations. 

**Effective date:** January 1, 1968.

**Study of coverage of services of health practitioners**

The bill requires the Secretary of Health, Education, and Welfare to study the need for, and to make recommendations concerning, the extension of coverage under the supplementary medical insurance program to the services of additional types of personnel who engage in the independent practice of furnishing health services.

**Limitation on special reduction in allowable days of inpatient hospital services**

The limitation on payment of hospital insurance benefits during the first spell of illness for an individual who is an inpatient of a psychiatric or tuberculosis hospital at the time he became entitled to benefits under the hospital insurance program would be made inapplicable to benefits for hospital services furnished outside a psychiatric or tuberculosis institution if the services are not primarily for the diagnosis or treatment of mental illness or tuberculosis.

**Simplified billing for outpatient hospital services**

Under the bill, hospitals would be permitted, as an alternative to the present procedure, to collect small charges (of not more than $50) for outpatient hospital services from the beneficiary without submitting a bill to medicare. The payments due the hospitals would be adjusted at intervals to assure that the hospital received its final reimbursement on a cost basis. 

**Effective date:** January 1, 1968.
SOCIAL SECURITY AMENDMENTS OF 1967

C. FINANCING OF SOCIAL INSURANCE PROGRAMS

The contribution rate schedules under present law and under the bill are as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Committee bill</td>
<td>Present law</td>
</tr>
<tr>
<td>Employer-employee, each</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967-68</td>
<td>3.9</td>
<td>0.5</td>
<td>4.4</td>
</tr>
<tr>
<td>1969-70</td>
<td>4.4</td>
<td>0.5</td>
<td>4.9</td>
</tr>
<tr>
<td>1971-72</td>
<td>4.4</td>
<td>0.5</td>
<td>4.9</td>
</tr>
<tr>
<td>1973-75</td>
<td>4.85</td>
<td>0.55</td>
<td>5.4</td>
</tr>
<tr>
<td>1976-79</td>
<td>4.85</td>
<td>0.55</td>
<td>5.4</td>
</tr>
<tr>
<td>1980-86</td>
<td>4.85</td>
<td>0.55</td>
<td>5.4</td>
</tr>
<tr>
<td>1987 and after</td>
<td>4.85</td>
<td>0.55</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Self-employed

<table>
<thead>
<tr>
<th>Period</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Committee bill</td>
<td>Present law</td>
</tr>
<tr>
<td>1967-68</td>
<td>5.9</td>
<td>0.5</td>
<td>6.4</td>
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<tr>
<td>1969-70</td>
<td>5.9</td>
<td>0.5</td>
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<tr>
<td>1971-72</td>
<td>6.6</td>
<td>0.5</td>
<td>7.1</td>
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<tr>
<td>1973-75</td>
<td>7.0</td>
<td>0.55</td>
<td>7.55</td>
</tr>
<tr>
<td>1976-79</td>
<td>7.0</td>
<td>0.55</td>
<td>7.55</td>
</tr>
<tr>
<td>1980-86</td>
<td>7.0</td>
<td>0.55</td>
<td>7.55</td>
</tr>
<tr>
<td>1987 and after</td>
<td>7.0</td>
<td>0.55</td>
<td>7.55</td>
</tr>
</tbody>
</table>

The amount of earnings taxed would be increased from $6,600 to $7,600 a year, effective January 1, 1968.

The portion of social security taxes that is allocated to the disability insurance trust fund would be increased from 0.70 percent of taxable wages to 0.95 percent beginning in 1968.

The supplementary medical insurance trust fund is now provided with a contingency fund for 1966 and 1967. This fund is provided as a safety measure in the early years before the trust fund has had time to build up a surplus, and it would be continued for an additional 2 years.

II. Public Assistance Amendments

A. CHANGES IN PROGRAMS OF AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) AND CHILD WELFARE

Family employment and other services

Under the bill, States would be required to develop a program for each appropriate relative and dependent child which would assure, to the maximum extent possible, that each individual would enter the labor force in order to become self-sufficient. To accomplish this, the States would have to assure that each adult in the family and each child over age 16 who is not attending school is given, when appropriate, employment counseling, testing, and job training. The States would also have to provide day care services needed for the children.
of mothers who are determined to be able to work or take training, and to provide such other services for children which would contribute toward making the family self-sustaining.

With the aim of protecting children, States would be required to bring to the attention of appropriate court or law enforcement agencies all situations involving the neglect, abuse, or exploitation of children. They would also have to provide for the payment of protective or vendor payments in cases where it is determined that the adult relative cannot manage funds effectively for the benefit of dependent children.

Family planning services would have to be offered in all appropriate cases.

States would have to develop programs designed to reduce the incidence of illegitimate births, and to establish the paternity of illegitimate children and secure support for them.

These provisions would be effective beginning October 1, 1967, and would be mandatory on all the States beginning July 1, 1969. The Federal Government would match the services provided on an 85-percent basis prior to July 1, 1969, and on a 75-percent basis thereafter.

Community work and training programs

States would be required by the bill to establish community work and training programs in every area of the State where a significant number of AFDC families live. Every adult member and child over 16 not attending school for whom it was determined that work or training is appropriate would be required to participate or face the loss of assistance. (In such instances, the States may continue the children’s payments by making a protective or vendor payment.)

Only a few States have work and training programs at the present time, and then only in some areas of the State. All States would be required to have such programs by July 1, 1969. There would be Federal matching of 75 percent (85 percent prior to July 1, 1969) for training, supervision, and materials. Under present law there is no matching for these items.

Work incentives

Under the bill, each State would be required effective July 1, 1969 (optional until then), to have an earnings exemption under its program. Under this provision, the first $30 of earned family income plus one-third of earnings above that amount would be retained by the family. A family would have to fall below the usual assistance levels to qualify initially for assistance and for the earnings exemption. Persons voluntarily quitting a job or reducing their earnings in order to qualify would not receive the exemption. The earnings of children under age 16 and those 16 to 21 attending school full time would be completely exempt.

Needy children of unemployed fathers

Under present law, the States can establish programs for families with dependent children based on the unemployment of a parent and receive Federal matching. The definition of unemployment is left up
to the individual States. Under the bill, Federal matching would be available only for the children of unemployed fathers and the definition of unemployment would be made by the Federal Government. In addition, the fathers under these programs would be required to have had a substantial connection with the work force. That is, they must have either exhausted their unemployment compensation rights or have had a year and a half of work during a 3-year period ending in the year before assistance is granted. The assistance would not be available if the father was receiving unemployment compensation. The fathers would not be eligible under the Federal program if the father turned down work, or refused to accept training, or refused to register at the employment office. In addition, each father would have to be enrolled in a work and training program within 30 days after coming on the assistance rolls. States which now have programs for the children of unemployed parents under present law would not have to bring in any new people until July 1, 1969. However, there would be no Federal matching as to people on the rolls who do not meet the new criteria after October 1, 1967. States starting up programs in the future would have to comply with the new provisions in order to receive Federal matching funds.

Federal payments for foster home care of dependent children

The bill would provide that effective July 1, 1969, States would have to provide AFDC payments for children who are placed in a foster home if in the 6 months before proceedings started in the court they would have been eligible for AFDC if they had lived in the home of a relative. The provision would be optional with the States before July 1, 1969. Under present law, children in foster care are eligible for AFDC payments only if they actually received such payments in the month they were placed in foster care. Federal matching would be available for grants up to an average of $100 a month per child.

Emergency assistance for needy children

Under the bill, Federal funds would be available on a 50–50 basis for cash payments, and 75 percent Federal to 25 percent State and local basis for services, to meet the costs of providing emergency assistance to dependent children and their families. The assistance would be limited to a 30-day period and no more than one 30-day period in a year would be paid for. Included among the items covered under the provisions would be the following: (1) money payments, (2) payments to purchase items needed by the family immediately (such as emergency living accommodations), (3) medical care, and (4) a wide variety of services for the children and the family to help the family cope with various types of emergencies that may arise.

Child welfare services

Under the bill, child welfare services would be moved to the section of the law which provides for the AFDC program and States would be required to furnish such services to AFDC children through a single organizational unit in the State and local agency which
handles the AFDC program. The Federal Government would provide 75 percent of the cost of such services to AFDC children. The non-AFDC child welfare program would be moved from title V to title IV of the Social Security Act, and the authorization increased to $100 million for fiscal year 1969 ($45 million over the $55 million in present law) and to $110 million for each year thereafter ($60 million in present law). Research, training, or demonstration projects would be funded at levels determined by later Congresses.

Limitation on aid to families with dependent children

The proportion of all children under age 21 who were receiving aid to families with dependent children (AFDC) in each State in January 1967, on the basis that a parent was absent from the home, could not be exceeded with Federal participation after 1967. For example, if a State had 3 percent of its minor children on AFDC in January 1967, because a parent is absent, the State would not get Federal matching payments for this group of children in excess of 3 percent of the population under 21 in 1968 or later years.

B. TITLE XIX AMENDMENTS

Limitation on Federal participation in medical assistance

Under the bill, States would be limited in setting income levels for eligibility to medicaid for which Federal matching funds would be available. The family income level for medicaid could not be higher than either (1) $133\frac{1}{3}$ percent of the highest amount ordinarily paid to a family of the same size under the AFDC program, or (2) $133\frac{1}{3}$ percent of the State per capita income for a family with four members (and comparable amounts for families of different size). The $133\frac{1}{3}$ percent proportions would go into effect on July 1, 1968, except that for States which now have title XIX plans, for the period from July 1, 1968, to January 1, 1969, the proportion would be 150 percent rather than $133\frac{1}{3}$ percent and for the period from January 1, 1969, to January 1, 1970, the proportion would be 140 percent.

Maintenance of State effort

Under the bill, States would be given additional alternatives for measuring State effort under provisions to assure that the State maintains its fiscal effort after new Federal funds become available. Maintenance of effort could be determined on the basis of money payments alone instead of money payments and medical care as under present law. Also, the current expenditure could be measured on the basis of a full fiscal year rather than a quarter. In addition, child welfare expenditures could be included in the determination either with money payments alone or with money payments and medical assistance.

Coordination of title XIX and the supplementary medical insurance program

Under the bill, States would have until January 1, 1970 (rather than Jan. 1, 1968, as under present law), to buy-in title XVIII supplementary medical insurance for persons eligible for medicaid. Also, the
bill would allow people who are eligible for medicaid but who do not receive cash assistance to be included in the group for which the State can purchase such coverage and would make persons who first go on the medicaid rolls after 1967 eligible to be bought in for. There would be no Federal matching toward the State’s share of the premium in such cases. The bill would provide that Federal matching amounts would not be available to States for services which could have been covered under the supplementary medical insurance programs but were not.

Modification of comparability provisions

Under the bill, States would not have to include in medicaid coverage for recipients less than 65 years old the same items which the aged receive under the supplementary medical insurance program which is furnished to them under the buy-in provisions discussed above.

Required services under State medicaid programs

Under present law, the States are required to include five named types of coverage effective with July 1, 1967. Under the bill, this provision would be made less restrictive, allowing the States to have either any seven of 14 named benefits in the law, or the five types of benefits now required.

Extent of Federal financial participation in State administrative expenses

Under H.R. 12080, States would be able to get the same 75-percent Federal matching for physicians and other professional medical personnel working on the medicaid program in the State health agencies which they now get when such personnel work in the “single State agency,” usually the public assistance agency. Under present law, the matching is 50 percent in such cases.

Advisory Council on Medical Assistance

Under the bill, an Advisory Council on Medical Assistance, consisting of 21 persons from outside the Government, would be established to advise the Secretary of Health, Education, and Welfare in matters of administration of the medicaid program.

Free choice for persons eligible for medicaid

The bill would provide that effective July 1, 1969 (July 1, 1972, for Puerto Rico, the Virgin Islands, and Guam), people covered under the medicaid program would have free choice of qualified medical facilities and practitioners.

Use of State agencies to assist health facilities to participate in the various health programs under the Social Security Act

Under the bill, States could receive 75-percent Federal matching for the services which State health agencies perform in helping health facilities to qualify for participation in the various health programs under the Social Security Act (including medicare, medicaid, and the child health programs) and to improve their fiscal records for payment purposes. Similar provisions in the medicare program (which finances
such services on a 100-percent basis from the Federal hospital insurance trust fund) would be repealed effective July 1, 1969, when this provision would go into effect.

Payments for services and care by a third party
Under the bill, States would have to take steps to assure that the medical expenses of a person covered under the medicaid program which a third party had a legal obligation to pay would not be paid or if liability is later determined that steps will be taken to secure reimbursement.
Effective date: January 1, 1968.

Payments to patients under medicaid
At the option of the States, medicaid recipients who are not also cash assistance recipients (those who are medically needy) could receive reimbursement directly for physicians' services on the basis of an itemized bill, paid or unpaid.
Effective date: Upon enactment.

C. OTHER PUBLIC ASSISTANCE AMENDMENTS

Federal payments for repairs to homes of assistance recipients
Under the bill States would get 50-percent matching payments to meet the cost (not to exceed $500) of repairing the home of an assistance recipient if the home could not be occupied, and the cost of rental quarters would exceed the cost of repairs.
Effective date: October 1, 1967.

Limitation on Federal matching for Puerto Rico, Guam, and Virgin Islands
The dollar limit for Federal financial participation in public assistance for Puerto Rico would be raised from the present $9.8 million to $12.5 million for 1968, $15 million for 1969, $18 million for 1970, $21 million for 1971 and $24 million for 1972 and thereafter. Up to an additional $2 million could be certified for family planning services and expenses to support community work and training programs.
Under medicaid an overall dollar limit of $20 million would be imposed (in lieu of the limitation made applicable to the States by the bill) and the ratio of Federal matching would be changed from 55 percent to 50 percent.
Proportionate increases in the dollar maximums for Guam and the Virgin Islands would be made.

Social work manpower and training
The bill would authorize $5 million for the fiscal year ending June 30, 1969, and for each of the 3 following years, for grants to colleges and universities to build up programs for training social workers. At least one-half of the amount appropriated each year would have to be used for undergraduate training.

Permanent authority to support demonstration projects
The amount of Federal funds to support public assistance demonstration projects would be increased from $2 million a year to $4 million and made permanent.
### SOCIAL SECURITY AMENDMENTS OF 1967

#### Detail of public welfare costs

[Dollars in millions]

(Note: Costs are based on 1968 prices except as noted in the assumptions)

<table>
<thead>
<tr>
<th>Public assistance:</th>
<th>Fiscal year 1968</th>
<th>Fiscal year 1972</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFDC costs under present law</td>
<td>$1,462</td>
<td>$1,837</td>
</tr>
<tr>
<td>Title XIX costs under present law</td>
<td>$1,381</td>
<td>$3,118</td>
</tr>
<tr>
<td>All other public assistance costs under present law</td>
<td>$1,647</td>
<td>$1,776</td>
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<tr>
<td>Subtotal, present law</td>
<td></td>
<td>4,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,731</td>
</tr>
</tbody>
</table>

| Increases in the committee bill: | | |
| Day care | | | 470 |
| Other social services | | | 123 |
| Earnings exemptions | | | 35 |
| Work training | | | 225 |
| Foster care under AFDC | | | 40 |
| Emergency assistance | | | 35 |
| Puerto Rico et al | | | 17.5 |
| Demonstration projects | | | 2 |
| Additional child health requirements in Title XIX | | | 50 |
| Subtotal, increases | | | 999.5 |

| Increases in the committee bill: | | |
| AFDC limitation | | | -18 |
| AFDC reduction for persons trained who become self-sufficient | | | -130 |
| Restrictions on Title XIX | | | -1,434 |
| Decrease in public assistance due to Social Security benefit increase* | | | -85 |
| Subtotal, decreases | | | -78 |
| | | | -773.5 |

| Decreases in the committee bill: | | |
| AFDC limitation | | | -18 |
| AFDC reduction for persons trained who become self-sufficient | | | -130 |
| Restrictions on Title XIX | | | -1,434 |
| Decrease in public assistance due to Social Security benefit increase* | | | -85 |
| Subtotal, decreases | | | -78 |
| | | | -773.5 |

| Total, public assistance as amended by committee bill | | |
| | | 4,422 |

| Child welfare: | | |
| Present law | | | 55 |
| Increase for child welfare services | | | 60 |
| Increases for child welfare research | | | 15 |
| Subtotal, increases | | | 50 |

| Social work manpower | | | 65 |

| Net effect of committee bill in public welfare | | | -703.5 |

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1 Assumes annual increase in the rolls of about 200,000, based on the experience of the past several years; allows increase of $1 each year in the average monthly payment per recipient, in line with recent experience.
2 Includes all medical vendor payments; assumes 5 percent annual increase in unit costs after 1968.
3 Assumes continued decline in number of old-age assistance and aid to the blind recipients, and continued increase in aid to the permanently and totally disabled, based on experience; allows increases for average payments.
4 1968 cost undistributed.
5 Assumes that Social Security benefit increases will fully reduce public assistance payments.
6 $40,000,000 in 1968 budget.

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### III. Child Health Amendments

**Consolidation of earmarked authorizations**

In place of a number of separate earmarked authorizations in present law, the bill consolidates all authorizations into one single authorization with three broad categories. Beginning with fiscal year 1969, 50 percent of the total authorization will be for formula grants, 40 percent will be for project grants, and 10 percent will be for research and training. By July 1972 the States will be expected to take over the responsibility for the project grants, and 90 percent of the total authorization will go to the States as formula grants. Total authorizations will increase by steps from $250 million in 1969 to $350 million in 1973 and thereafter.
Additional requirements on the States under the formula grant program

The bill requires that State plans provide for the early identification and treatment of crippled children. Title XIX is amended to conform to this requirement. The States must also devote special attention to family planning services and dental care for children in the development of demonstration services.

Project grants

Until July 1972, the bill authorizes project grants (1) to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing, and to help reduce infant and maternal mortality; (2) to promote the health of children and youth of school and preschool age; and (3) to provide dental care and services to children. Beginning July 1972, responsibility for these projects will be transferred to the States.

The fiscal year 1968 authorization for maternity and infant care special projects grants would be increased from $30 to $35 million.

Research and training

The bill broadens the training authorization to include training for the health care of mothers and children and to give priority to undergraduate training. The research authority is amended to emphasize projects to study the use of health personnel with varying levels of training in the delivery of comprehensive maternal and child health services.

IV. Major Provisions of H.R. 5710 Not Included in H.R. 12080

The following provisions of H.R. 5710, the bill embodying the administration’s proposals, are not contained in the committee bill, H.R. 12080:

<table>
<thead>
<tr>
<th>H.R. 5710</th>
<th>Sec. No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elimination of provisions denying benefits to individuals because of membership in certain organizations. (Under H.R. 12080, such persons would continue to be barred from coverage as under existing law.)</td>
<td>110</td>
</tr>
<tr>
<td>Coverage of agricultural labor</td>
<td>115</td>
</tr>
<tr>
<td>Transfer of Federal employment credits</td>
<td>116</td>
</tr>
<tr>
<td>Health insurance for the disabled. (Secretary of Health, Education, and Welfare to establish a Special Advisory Council to study the problems involved and report by Jan. 1, 1969.)</td>
<td>125</td>
</tr>
<tr>
<td>Health insurance payments to Federal facilities</td>
<td>126</td>
</tr>
<tr>
<td>Funding of depreciation allowance and requirement of health facilities planning</td>
<td>129</td>
</tr>
<tr>
<td>Requirement for meeting full need under public assistance</td>
<td>202</td>
</tr>
<tr>
<td>Tax treatment of the aged (title V). (No changes in the income tax provisions of existing law are included in the bill.)</td>
<td>501–507</td>
</tr>
</tbody>
</table>
SOCIAL SECURITY AMENDMENTS OF 1967

Mr. O'NEILL of Massachusetts. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 902, and ask for its immediate consideration.

The Clerk reads the resolution, as follows:

H. RES. 902

Resolved, That upon the adoption of this resolution is shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed eight hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendments shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Massachusetts [Mr. O'NEILL] is recognized for 1 hour.

(Mr. O'NEILL of Massachusetts asked and was given permission to revise and extend his remarks.)

Mr. O'NEILL of Massachusetts. Mr. Speaker, House Resolution 902 provides a closed rule waiving points of order, with 8 hours of general debate for consideration of H.R. 12080 to amend the Social Security Act. The request to waive points of order was made due to the fact that the Ramseyer Rule was not complied with.

H.R. 12080 would provide a general benefit increase of 13 1/2 percent for people on the rolls. As a result, the average monthly benefit paid to retired workers and their wives now on the rolls would increase from $145 to $164. The minimum benefit would be increased from $44 to $50 a month. Under the bill monthly benefits would range from $50 to $156.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later. Under existing law, the benefit range for those now receiving old age benefits is $44 a month to $142.

The special benefit paid to certain uninsured individuals aged 72 and over would be increased from $35 to $40 a month for a single person and from $52.50 to $60 a month for a couple.

The amount of earnings which would be subject to tax and could be used in the computation of benefits would be increased from $6,600 to $7,600 a year, effective January 1, 1968.

The $168 maximum benefit eventually payable under present law would be increased to $189 on the basis of the same monthly earnings. The increase in the amount of earnings that can be used in the benefit computation would result in a maximum benefit of $212 in the future. The maximum benefits payable to a family on a single earnings record would be increased to $422.50, rather than $411 as under present law. Of course to qualify for the maximum benefits, a wage earner must have earned the maximum under the new wage base for a number of years in the future.

The increased benefits would be payable beginning with the second month after the month in which the bill is enacted. It is estimated that 23.7 million people would be paid new or increased benefits in December 1968 and as a result of the benefit increase $2.9 billion in additional benefits would be paid out in 1968. Of this amount, $52 million would be paid out of general revenues as benefits for 708,000 people over 72 who have not worked long enough to be insured under the social security program.

Mr. Speaker, as you know the President urged and asked for a 20-percent increase. The Committee has seen fit to give an increase of 12.5 percent. During the Committee on Rules' hearings there was opposition to this bill with regard to title II, and the gentleman from New York [Mr. GILBERT] wanted us to have a modified open rule to allow an amendment to the bill to place medicaid as it is in the present law.

Mr. Speaker, title II of this bill in itself is regressive and it turns back the present medicaid program that we have.

Mr. Speaker, I have here a letter from Dr. William M. Schmidt from the School of Public Health of Harvard University which was written to me with regard to this bill.

The letter reads in part as follows:

Section 208, "Limitation of number of children with respect to whom Federal payments may be made": This Section provides a ceiling on the number of children with respect to whom payments may be made to a State. The ceiling is established as of January 1, 1967, and may not exceed the percent as of that date in any year after 1967. There is reason to believe that despite efforts to the contrary, there will be an increase in the number and percent of children of families eligible to receive AFDC.

Mr. CAREY. Mr. Speaker, will the gentleman yield?
Mr. O'NEILL of Massachusetts. I yield to the gentleman from New York, who, by the way, appeared before the Rules Committee and obtained a complete open rule for title II of the bill.

Mr. VOLPE. I beg the gentleman's pardon.

With reference to the gentleman's statement of my appearance before the Rules Committee, I pointed out that this particular section of the bill would not result in a truly significant shift in the burden of the paying of the cost of aid to dependent children from the Federal Government, which initiated this program, back to the States. I thank the gentleman for giving as one new clause (15) (A), for the development of a program for each appropriate relative and dependent child receiving aid under AFDC. Amendment (1) "to the maximum extent possible, that such relative . . . will enter the labor force and accept employment if they will become self-sufficient . . .". This clause, with emphasis on the phrase "to the maximum extent possible," encourage State and local welfare agencies to put pressure on mothers of dependent children to leave home and go to work. This provision provides for the best interests of children. In many families the interests of infants and preschool-age children, who are best served by enabling the mother to remain at home in order to provide care for them.

Extensive provision should be made for day care services for the care of preschool-age children and after-school care of school aged children. The best plan and for whom this appears to be b: the best plan and for mothers who are seeking work or for whom this appears to be the best plan and care of their children. However, safeguards should be provided so that no pressure is put upon others to leave their children in order to go to work.

There are other elements in the Bill which I think need close examination, but these two are especially bad.

I don't know whether amendments can be offered on the floor. If so, I would be as possible out Section 208 and modify Section 201?

If this is not possible, I do hope you will speak against the report. I believe the record will show that the House did not enact these harsh provisions without opposition.

William M. Schmidt, M.D.

As I said with regard to medicaid, the measure is definitely regressive, as I look at it.

I also have a statement by Gov. John A. Volpe, of Massachusetts, in opposition to title II. This statement is as follows:

STATEMENT BY GOV. JOHN A. VOLPE, OF MASSACHUSETTS

(Meeting of the National Governors' Conference August 8, 1967)

Hon. THOMAS P. O'NEILL, JR.,
Washington, D.C.

Dear Mr. Schmidt:

I am writing to call your attention to certain provisions of H.R. 12080—"A Bill to Amend the Social Security Act . . ." which, if enacted, are likely to have an adverse effect upon the welfare of children and the strength and integrity of families.

The provision repeals two Sections which in my judgment would be bad at any time. Coming at this point of tension in our cities, these provisions, I am convinced, are deplorable.

1. Section 206, "Limitation of number of children with respect to whom benefits may be paid under AFDC," should be deleted. This Section provides a ceiling on the percent of children with respect to whom payments may be made to a State. This ceiling is established as of January 1, 1967, and may not exceed the percent as of that date in any year after 1967. There is reason to believe that despite efforts to the contrary, there will be an increase in the number and percent of children of families eligible to receive AFDC. Even the best of preventive measures designed to reduce the need for AFDC cannot be immediately effective. If a ceiling of this type is imposed, it would be obvious that the ceiling itself is a significant deterrent to the welfare of children and the strength and integrity of families.

2. Section 201, "Programs of services furnished to families with dependent children," provides, among other things, that a new clause (15) (A), for the development of a program for each appropriate relative and dependent child receiving aid under AFDC at the maximum extent possible, that such relative . . . will enter the labor force and accept employment if they will become self-sufficient . . .". This clause, with emphasis on the phrase "to the maximum extent possible," encourage State and local welfare agencies to put pressure on mothers of dependent children to leave home and go to work. This provision provides for the best interests of children. In many families the interests of infants and preschool-age children, who are best served by enabling the mother to remain at home in order to provide care for them.

Extensive provision should be made for day care services for the care of preschool-age children and after-school care of school aged children. The best plan and for whom this appears to be b: the best plan and for mothers who are seeking work or for whom this appears to be the best plan and care of their children. However, safeguards should be provided so that no pressure is put upon others to leave their children in order to go to work.

Obviously through past experiences all levels of government are trying to avoid an economic cutback when a solution is found. We are assured by many that there will be some drastic changes when millions of dollars are no longer going every day into a welfare program. But what would do is simply ignoring the economic facts of life. The federal government in effect would be penalizing those states with the need and many areas would tend to encourage discriminatory practices to the detriment of needy families with children and those states which will lose state aid by state or local public welfare officials.

2. The 13X% of income level for eligibility for Medicaid will be raised to 20X% of the Federal poverty line under the proposal in Title XIX. Medicaid is another ceiling which would eventually require those states with forward-thinking programs to make additional moral judgments. Will the states, already overburdened financially, be forced to assume that portion of the cost which would exceed the proposed ceiling or will they be forced to retrain a program which is so vitally needed by the poor and the underprivileged? A program which has been undertaken by the states in good faith with the understanding that the federal government is pointing the finger of moral judgment as the limiting of illegitimate births, provision for family planning, and the limiting of the number of children for mothers who choose to work. This appears to be the best plan for mothers who are seeking work or for some other reason require daytime care for their children. However, safeguards should be provided so that no pressure is put upon mothers to leave their children in order to go to work.

Adequate provisions should be made for day care services for the care of pediatric aged children and after school care for school aged children for mothers who choose to work. This appears to be the best plan for mothers who are seeking work or for some other reason require daytime care for their children. However, safeguards should be provided so that no pressure is put upon mothers to leave their children in order to go to work.

While many states, including the Commonwealth of Massachusetts, are moving forward by placing control of welfare programs in the hands of the federal government, they feel we should give careful consideration to the provisions of this bill. I feel we should give careful consideration to the proposals of H.R. 12080.
Section 233, which would move the existing Child Welfare Services out of the Department of HEW and into the Department of Health, Education, and Welfare, will assure the establishment and maintenance of standards and the extension and improvement of services such as those provided by the Children's Bureau, established 55 years ago, and help to solve the most pressing problems of the states. In the past five years recipients of Child Welfare services, for example, have more than redoubled; but the states have not kept up their efforts, thereby diluting the quality of the service.

Yesterday I was of the belief that title II should be subject to an open rule, but my colleagues in the Ways and Means Committee, Mr. O'NEILL of Massachusetts, and Mr. QUILLEN, have convinced me to support their recommendation in the bill in the form of a closed rule. A closed rule was reported. But after considering it during the course of the night, in my opinion there are so many inequities in title II of the bill in regard to needy children, Medicaid, and half a dozen other provisions in the bill, I do not think we honestly could write this bill on the floor of the House. Mr. Speaker, I yield to the gentleman from Tennessee (Mr. QUILLEN) for 15 minutes.

Mr. QUILLEN. Mr. Speaker, I yield a half hour to the gentleman from Tennessee (Mr. QUILLEN).

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may consume.

As the gentleman from Massachusetts (Mr. O'Neill) has stated, House Resolution 902 makes in order the consideration of H.R. 12080 under a closed rule which will assure the establishment and maintenance of standards and the extension and improvement of services such as those provided by the Children's Bureau, established 55 years ago, and help to solve the most pressing problems of the states. In the past five years recipients of Child Welfare services, for example, have more than redoubled; but the states have not kept up their efforts, thereby diluting the quality of the service.

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August 16, 1967

CONGRESSIONAL RECORD — HOUSE

H 10611

report does not include the entire text of the Social Security Act. In the interest of clarity and expense, it includes only those parts of the act that are amended.

Mr. Speaker, I have long been a champion of the national security program believing that it means so much to our people. At the same time, I have been concerned about whether the program was sound financially, and I have been assured by the distinguished chairman of the House Ways and Means Committee that this bill is actuarially sound.

H.R. 12080 makes major changes in old-age, survivors, and disability insurance and health insurance programs, and many minor revisions. I will mention only the most important ones briefly here.

Under these amendments, a general benefit increase of 12 1/2 percent would be provided for people on the rolls. As a result, the average monthly benefit paid to retired workers or wives of insured individuals aged 72 and over would increase from $145 to $164. The minimum benefit would be increased from $44 to $50 a month. Under the bill, benefits would be increased from $50 to $159.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later.

The special benefit paid to certain uninsured individuals aged 72 and over would increase from $35 to $40 a month for a single person and from $52.50 to $60 a month for a couple.

The $168 maximum benefit eventually payable under present law would be increased to $189 on the basis of the same monthly earnings.

The maximum benefits payable to a family on a single earnings record would be increased to $423.60 rather than $368 as under the present law. Of course, to qualify for the maximum benefits just mentioned, a wage earner must have earned the maximum under the new wage base for a number of years in the future.

Monthly social security benefits would be payable between ages 50 and 62 to disabled widows and widowers of deceased workers. If benefit is first payable at age 50, the benefit would be 50 percent of the primary insurance amount. The amount would increase depending on the age at which benefits begin, up to 62 1/2 percent of the primary insurance amount at age 62.

Also in regard to disability, a worker who becomes disabled before the age of 31 could qualify for disability insurance if he worked in one-half of the quarters between ages 21 and 25 when he became disabled, with a minimum of six quarters of coverage. This requirement would be an alternative to the present requirement that the worker must have had a total of 5 years out of the last 10 years in covered employment.

All of the above amendments would become effective the second month after the month in which the bill is enacted.

This legislation also rede fines disability for workers to mean that a person could be determined to be disabled only if he is unable to engage in any kind of substantial gainful activity. The present law provides that a person may even though such work does not exist in the general area in which he lives.

This proposed new definition of disability places additional burdens to the attainment of a disability benefit by a physically or mentally handicapped individual. He not only must prove that his physical or mental impairment is so severe that he is not only unable to do his previous work, but that he cannot, considering his age, education, and work experience, engage in any other kind of gainful work which exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied to work.

It was my hope that this bill would relax the requirements to establish eligibility for an individual to draw disability benefits. I felt if an individual is disabled by medical evidence, he is disabled under the social security law and should draw disability benefits. This law should not create new burdens to the attainment of just benefits.

I have seen disabled individuals denied their just benefits because they were caught in the cobweb of regulations. It was my hope that this bill would relax the requirements to establish eligibility for the Social Security Administration has the responsibility for improving further additional methods for developing evidence of disability as well as the five ways of assessing the total impact of an individual's impairment on his ability to work. There is accumulating evidence that many individuals, already drawing disability benefits, can benefit from rehabilitation and can be placed back in the work force over a period of time.

Only time will tell the impact of this new definition of disability if it becomes law. I hope it will not deny anyone their just and lawful benefits.

Both taxable wage base and the tax rate will be increased to cover the increased costs to the social security trust fund, estimated at $3,200,000,000 in 1968. Currently the wage base is $6,600. This will be increased to $7,600. The combined employer-employee tax rate is currently 8.8 percent; it will be 8.8 percent in 1969-70, to 10.4 percent in 1971-82, and to 11.3 percent in 1973.

Another amendment is in the dependency of the child on his mother. A child would be deemed dependent on his mother under the same conditions that, under present law, a child is deemed dependent on his father. As a result, a child could become entitled to benefits if at the time of becoming disabled, he was either fully or currently insured.

Also included in the bill are additional wage credits for servicemen. For social security benefit purposes, the pay of a person in the Armed Forces would be deemed to be $100 a month more than he is actually paid. The additional cost of paying the benefits resulting from this provision would be paid out of general revenues.

Amendments have also been made to the hospitalization insurance title of the bill. They provide that hospital care is increased from 90 to 120, but the patient will be required to pay $20 per day for each day over 90.

The bill attempts to ease up reimbursement to patients of doctor's bills they have paid themselves for covered illness, and a modification of the enrollment provisions for those over 65 who want to participate in the supplementary medical insurance program. New medical charges are included among those covered: podiatric services, additional radiological and pathological services, and physical therapy services.

In the area of programs of aid to families with dependent children and child welfare, aid to families with dependent children, families with dependent children and for foster families, aid to families with dependent children, and physical therapy services.

The bill also deals with work incentives, required to participate or face the loss of assistance. All States would be required to have such programs by July 1, 1969. The bill also deals with work incentives, required to participate or face the loss of assistance. All States would be required to have such programs by July 1, 1969.

There are no minority views, although Mr. CURTIS has submitted supplemental views. He supports the bill, but believes the real problems in the health field are not met by the bill. He points out that Congress must look further to correct the argument that social security benefits are not the sole retirement income for most Americans and that Congress
Mr. Speaker, I yield such time as he may of my time, urge the adoption of the rule, except of a few minor reservations which I have mentioned, and I know of no objections concerned. This is why I have opposed granting this closed rule.

This bill has new work training provisions which duplicate and overlap other existing and measures in the Economic Opportunity Act where we have put in work training, and there is an amendment I sponsored to the Economic Opportunity Act in which we set forth a provision under which the Director of OEO is to encourage compulsory work training and compulsory basic literacy training in the programs in public assistance. We have been working in this direction in the Committee on Education.

There is hidden danger in this bill. I understand the interpretation of its new language requires in all cases of public assistance from age 16 on up, in families who receive public assistance, where there are 16-year-olds and older who are eligible for public assistance, even if the father or mother is in the home and receiving public assistance, that if they are able to work they must accept employment. This seems to be a good thing, and I say anything which will make recipients of welfare self-supporting appears to be good, but we have tried some of these things, and if we go too far, we will defeat our own purpose.

Let me illustrate what I mean. If we consider the case of a mother with two children who are infants, and if we force her to accept employment because she is receiving public assistance, we run into the question of what will happen to the infants. If they are turned over to a public shelter, if one is available, that may not be the best thing for them. In the case of handicapped children it is less expensive to have the mother care for them than have the mother go to work as a scrubwoman and have the locality pay a public nurse or institution run for the children at a cost per day that totals as high as the mother's earnings or benefits.

Mr. Mills. Mr. Speaker, will the gentleman yield?

Mr. CAREY. I yield to the gentleman from Arkansas.

Mr. Mills. Let me assure the gentleman that there is no intention here, in the administration of this program, and it is clearly understood, to take any action that would interfere with the care and protection of children, because we say that if she has good cause—and that is listed as a good cause—then she is excused from this requirement.

Mr. Carey. I am pleased to hear the chairman of the committee state this. This is one of the reasons why I had hoped to get into a discussion of this bill, because of the legislative history that this bill will not do, that it probably is a worthy amendment. This was my only purpose in coming to the floor at this time, because this may be the last chance we have to express our selves to consideration of very vital programs and get a legislative history, to save this from becoming a punitive measure which would work a disadvantage to the families.

Mr. Speaker, I came to the well to indicate the dissatisfaction which I have with respect to the closed rule, as to this part of the bill. It is not my purpose at this time in any way to unhinge the legislative machinery by requiring a vote in opposition to this rule.

I agree with the gentleman from Massachusetts that there is much to be done in this field. This is a program which requires a great deal of consideration, and I believe we should begin right now in an attempt to rewrite this program from top to bottom.

The poor do not like the program. They are not happy over the indignities they endure under this program.

Those who administer the program, such as Commissioner Ginsberg of New York, have indicated it is an unworkable, unmanageable program, which should be refined from top to toe. It is not the case that the taxpayers do not like the program, which has now reached the astronomical figure of $4.1 billion. As predicted by the committee, this will go up to $5 billion. Ten years ago it was only $1.7 billion, and it has gone up $2.5 billion in 10 years.

There will be more persons added to the roll next year, even though we are in an unparalleled prosperity. This program is betting so large it rivals all other major programs of the Federal Government.

The programs we address in this field in the Economic Opportunity Act do not seem to be able to cope with this program, and cannot thus far contain this program. It is getting out of hand. Something must be done. We need to do something to stop attracting the poor to the ghettos and the unlivable conditions of the cities which this program does. These things need to be done without delay.

I will yield to the counsel, judgment, prudence, and wisdom of the gentleman from Massachusetts, who stated, and I agree with him, that we ought to get to work and start rewriting this program from top to bottom, because, so far as I am concerned, the people of the great cities have had it. This is not the answer to our problems. It creates more havoc than it is curing.

For that reason, I will oppose in the future the granting of any closed rule on the public assistance provision of this bill, and I hope that the Ways and Means Committee members, in their judgment and their wisdom—and I assume every member of the committee—will see their way clear the next time around to bring this out as a separate measure, not to be hooked up to social security amendments, where it does not belong.

I thank the gentleman from Massachusetts for yielding to me.

Mr. O'Neill of Massachusetts. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. Carey].

Mr. Gilbert. Mr. Speaker, I take this opportunity merely to advise the House that I appeared before the Rules Committee to ask for a modified rule, to
the extent that the rule be modified so that amendments could be offered with respect to the medicaid provisions, which I believe would be vitally so far as the bill is concerned in respect to the largest States. Unfortunately, a closed rule was granted.

Mr. O'NEILL. Mr. Speaker, I yield 3 minutes to the gentleman from Arkansas [Mr. OTTINGER].

(Mr. OTTINGER asked and was given permission to revise and extend his remarks.)

Mr. OTTINGER. Mr. Speaker, I do not know that I can add much to the very excellent remarks of my friend, the gentleman from Massachusetts [Mr. O'NEILL], and my colleagues, the gentlemen from New York [Mr. CAREY and Mr. GILBERT]. I wholeheartedly support their views.

I suppose we from New York are speaking out most against this rule because New York stands to be hurt worst by some of the changes made to the welfare and aid to dependent children provisions in title II.

In spite of the fact that I have a tremendous amount of respect for the chairman of the Ways and Means Committee, the gentleman from Arkansas [Mr. MILLS], and his colleagues on that committee, I think the committee adopted some very controversial measures in title II concerning welfare that deserve discussion by the House.

Therefore, acting as the fool who walks in where angels fear to tread, I propose that the House vote down the previous question on this rule. If that is successful, I propose to offer an amendment which would open only title II to amendments.

The most grave problem with title II, in my opinion, is the adoption of a freeze on welfare recipients. This would work grave inequities because of the tremendous population shifts throughout the country into and out of cities.

I think penalizing children for the failure of their parents to work is completely unsound. Although I entirely favor compulsive measures, if those parents to take work and training where they are available and, in the case of mothers, where adequate day care facilities are available, I feel that penalize the innocent children in these situations is an unfortunate mistake.

Another controversial change made by the committee that deserves discussion is the drastic limitation on medicaid.

Before the enactment of title XX, New York's eligibility level was $5,700 for a family of four; it was expected to be $5,700 in 1967 regardless of a Federal medicaid program. After the enactment of title XIX it became $6,000. Under the new formula proposed in section 220 of H.R. 12080 the eligibility level is estimated to be reduced by over $700 to $5,200. This is the first step in the proposed -step percentage reduction.

I should like to commend my colleague from New York [Mr. GILBERT] for his supplemental views. He points out there very clearly that—

Another formula, which works an injustice and to which amendments might be offered were it not for a closed rule, is that which affects the program of aid to dependent children. By freezing the number of children according to the formula in the bill, it means short changing the large populous metropolitan States which are experiencing and have experienced for the past number of years a large immigration of poor people, particularly from the rural areas of the country from which for various reasons, including mechanization of farming and the inadequate level of public assistance, they are forced to the cities.

Again this means that the large populous metropolitan States would be penalized.

If we do not have a closed rule, it will be possible to examine not only this formula but the method by which public assistance is financed. The Federal Government should assume more responsibility than it does for the public assistance programs which the big cities are required to maintain because of conditions pertaining in other parts of the country. Nor have the big cities any control.

Mr. Speaker, for those reasons, I recommend that the previous question be defeated in order to amend the rule. We should have an open rule in order to deal with these provisions.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. KUPFFERMAN].

(Mr. KUPFFERMAN asked and was given permission to revise and extend his remarks.)

Mr. KUPFFERMAN. Mr. Speaker, I am opposed to the closed rule. As I see it, this bill will pass tomorrow overwhelmingly, even though there are a number of areas that deserve a specific vote and which areas are unsatisfactory. In addition to those items which have already been cited and which I believe should have consideration on the floor of the House and that there be provided an opportunity for each Member to vote upon the questions specifically, I am also in favor of an amendment which I would have proposed had I had the opportu-
nity to do so to eliminate the restriction on outside earnings for people receiving social security by reason of retirement age.

I think it is necessary, in view of the overall poverty situation in the United States today, and with inflation, that we have an opportunity to consider such a specific problem. The basic fact is that the poor have the opportunity to present it.

Therefore, Mr. Speaker, I am opposed to the closed rule.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I wish to yield time as he may consume to the gentleman from Rhode Island [Mr. TIERMAN].

(Mr. TIERMAN asked and was given permission to revise and extend his remarks.)

Mr. TIERMAN. Mr. Speaker, I oppose a closed rule on H.R. 12080. The provisions putting a limit on title XIX, medical aid, and on aid to families with dependent children are so slender and lopsided that I yield to the gentleman from Rhode Island.

Second, the committee-backed amendments effectively change the basic thrust of the original AFDC program from one of protecting the welfare of dependent children to one of enforcing the employability of the parents of those children. The amendments require that AFDC mothers leave their dependent children to accept work or training, without setting forth any standards for job or training opportunities. They provide the mechanism for eliminating the income required by the recipients on the family—or what is left of the family. No adequate standards have been set for jobs or training for jobs or for supporting social, health, educational, and other needs of the children.

Finally, the committee-backed amendments, by setting the income limits for medical aid lower than their current level, force many States and cities to take up the slack out of their own pockets. New York State will have to find some $40,000,000 to maintain the level of services it now provides—bringing up to $80 million the additional amount New York will have to bear.

This enumeration of substantive deficiencies in the bill as reported out of the Ways and Means Committee is not exhaustive. Many colleagues—on both sides of the aisle—will find others. All of us, however, because of the archaic mechanism of the closed rule governing this bill, are frustrated in working our will on the floor as we are freely able to do with the vast myriad of defense, housing, education, anti-poverty, foreign aid and other vital measures which flow through the House each session.

There is no necessity and no rationale for welfare provisions such as AFDC to be included in the same measure as social security. The result is to hamstring Congress in its effective and workability of the bill by offering substantive amendments to remedy the defects like the ones I have highlighted in this committee-passed bill.

Mr. ST GERMAIN of New Hampshire, I am opposed to the closed rule on H.R. 12080, because there are several provisions in the bill which I think should be open to amendments on the floor. I refer particularly to the provisions which would impose arbitrary and unfair limitations on title XXI of the Social Security Act. The 13½-percent limit on eligibility should be raised to at least 16 percent.

The bill is very unfair in this regard in its effect on Rhode Island and other States. Mr. RHODES of Arizona. Mr. Speaker, the House Republican policy committee supports H.R. 12080. This bill provides an across-the-board increase of 12½ percent, increases the amount an individual may earn and still get social security benefits, strengthens the benefit formula, improves the health insurance benefits, and requires the development of programs under aid to families with dependents. Mr. Speaker, I am opposed to the closed rule on H.R. 12080. This bill provides an across-the-board increase of 12½ percent, increases the amount an individual may earn and still get social security benefits, strengthens the benefit formula, improves the health insurance benefits, and requires the development of programs under aid to families with dependents. I am opposed to the closed rule on H.R. 12080.
present program. For example, States would be required to:

First. Establish a program for each AFDC adult or older child not attending school which would equip them for work and place them in a job. Those who refuse such training without good cause would be cut from the rolls.

Second. Establish community work and training programs throughout the State by July 1, 1969.

Third. Provide that protective payments and vendor payments be made where appropriate to protect the welfare of children.

Fourth. Furnish day-care services and other services to make it possible for adult members of the family to take training and employment.

Fifth. Have an earnings exemption to provide incentives for work by AFDC recipients.

There is no provision in the present Social Security Act under which States may permit an employed parent or other relative to retain some of his earnings. This has proven to be a serious defect.

The number of assistance recipients who take work or enter into a training program can be increased if the proper incentive exists. We support the adoption of a work incentive provision.

At the present time, there are a number of other Federal programs that make provision for work incentives to welfare recipients. This proliferation of work incentive provisions has proven confusing to welfare personnel and recipients. In an effort to end this confusion, the proposed provision in H.R. 12080 would, in effect, supersede the provisions relating to earnings exemptions now contained in the Economic Opportunity Act and the Elementary and Secondary Education Act. We support this attempt to establish a uniform rule. We urge prompt action to bring the provisions of other legislation into conformity with this provision.

GENERAL LEAVE TO EXTEND

Mr. O'NEILL of Massachusetts. Mr. Speaker, I ask unanimous consent that all Members be permitted to extend their remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I move the previous question.

The SPEAKER. The question is on ordering the previous question.

The question was taken; and on a division (demanded by Mr. Ottenger) there were—ayes 120, noes 7.

So the previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.
The CHAIRMAN. Under the rule, the gentleman from Arkansas [Mr. MILLS] will be recognized for 4 hours, and the gentleman from Wisconsin [Mr. BYRNES] will be recognized for 4 hours.

The Chair recognizes the gentleman from Arkansas [Mr. MILLS].

(Mr. MILLS asked and was given permission to revise and extend his remarks.)

Mr. MILLS. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the bill H.R. 12080, now before the Committee, is the product of many, many long weary hours of deliberation on the part of the Committee on Ways and Means.

Following 3 weeks of hearings earlier in the year the committee met in executive session for a total of 64 times in drawing up this legislation, and in studying the administration and the operation of the many, many programs contained in the Social Security Act.

This bill, Mr. Chairman, is, in every sense, a committee bill, I introduced it on behalf of myself and the gentleman from Wisconsin [Mr. BYRNES] at the direction of the committee. I understand, from reading the newspaper recently, that there are parts of it which certain people within the administration want to disown. This emphasizes the fact that it does vary in many instances from the bill which was introduced to carry out the administration's suggestions—H.R. 5710.

The major provisions of H.R. 12080 originated in and were formulated by the committee.

I want to take occasion, Mr. Chairman, to express my own deep appreciation for the attendance, cooperation, and assistance given us in the committee by every member of the committee on both sides in the development of the provisions of the bill.

As Members can detect from the length of the bill itself, and of the report, the bill covers almost all of the various programs which are included in the Social Security Act.

This bill makes amendments in the old-age, survivors, and disability insurance program under title II of the act; in the so-called medicare program under title XVIII of the act; in the medical assistance program, known as medicaid in some places, under title XV; in the public assistance program under titles I, IV, X, XIV, and XVI; and especially the program of aid to families with dependent children; and the child welfare, and child health programs that are now contained in title V of the Social Security Act.

The bill consists, as Members can see from reading it, of four titles.

Title I revises and improves the provisions of the social security program;
that is, the old-age, survivors, disability, and health insurance program.

Title II improves and expands the public welfare program, including aid to families with dependent children in particular, child welfare, and medical assistance.

Title III deals with maternal and child health programs.

Title IV contains general provisions including one relating to social work, manpower, and training.

With an increase in the ceiling on taxable earnings from $6,600 a year to $7,600 over the next few years, as the administration recommended, or to further increase the contribution rates, it would have had to be paid by employers and employees, and the committee found on looking into the matter that we could provide quite a substantial benefit increase without raising the ceiling that much and without increasing the tax rate beyond what was recommended by the administration. With an increase in the ceiling on taxable earnings from $6,600 to $7,600 a year rather than the $4,200 recommended, we found that we could increase benefits across the board by 12 1/2 percent or nearly as much as the 15 percent which had been recommended.

Now think with me for just a minute. By raising the taxable base from $6,600 to $7,600, we could increase benefits across the board by 12 1/2 percent. In order to provide an increase of that amount, it was necessary to increase the ceiling on taxable earnings to $10,800 over the next few years, as the administration recommended, or to further increase the contribution rates. That would have had to be paid by employers and employees, and the committee found on looking into the matter that we could provide quite a substantial benefit increase without raising the ceiling that much and without increasing the tax rate beyond what was recommended by the administration. With an increase in the ceiling on taxable earnings from $6,600 a year to $7,600 a year rather than the $4,200 recommended, we found that we could increase benefits across the board by 12 1/2 percent or nearly as much as the 15 percent which had been recommended.

The committee reached the conclusion that it was preferable to increase the benefits by 12 1/2 percent with only this $1,000 increase in the taxable base than to try to raise benefits 2 1/2 percent more and, as a result, have to raise the taxable base by another $3,200 sometime down the road.

This 12 1/2-percent benefit increase, we think, takes fully into account the roughly 7-percent rise in prices and the 10-percent increase in wage levels that have taken place since the benefits were first provided in 1935.

It does seem to us to provide quite a bit more for beneficiaries than just that. I think it takes a step toward providing them with a greater share in the increased earnings of this great Nation.

In setting the benefit levels we took into account not only the increased taxes which would be required and the changes in prices and wages that have occurred, but also we considered the question of what an appropriate relationship between benefits paid and previous wages earned.

The bill embodies the principle that the retirement benefit for a man and his wife at age 65 or over should represent at least 50 percent of the man's previous covered earnings. For people getting benefits based on the highest possible average monthly earnings under the bill in the future, which is $633 of earnings per month, the man and his wife, assuming that they are both 65, will get $519. You can see that is roughly at least 50 percent of what the man earned at that level. It is true, of course, that people earning amounts between $6,600 a year and $7,600 a year will be hit by which is put into effect under the bill on January 1, 1968, people earning that amount will pay taxes on the additional $1,000, but on the other hand they will get higher benefits.

Let me take just a moment to explain how it works. While the ultimate maximums that I have talked about will generally not be payable any time soon because for bill, man has made $7,600 a year average earning for a period of years in order to draw at 65 this maximum retirement benefit—let me give you some examples, though, of what we now have and how we would have with a worker aged 29 in 1967, this year, who has annual earnings of $7,600.

Then, suppose he dies at the beginning of 1972. His widow and child would receive a monthly benefit of $235, which is $43.40, or 18 percent more than now provided for under the existing law.

Mr. Chairman, to use another example, a single man who is 65 or 66 who was self-employed, say, in 1939, and who had made $7,600 a year in earnings in that year and who was married in 1939, he and his wife, who both were 65 at that time, would receive a monthly benefit of $276.80, or 20 percent more than the $231 which is now provided under present law. And, even in retirement cases, the improvement in benefit amounts will be substantial. For example, a worker aged 50 in 1967, who has annual earnings of $7,600, would receive a retirement benefit 15 years hence, at age 65, of $184.50, or 20 percent more than is provided under the present law.

Mr. Chairman, to use another example, an unmarried woman aged 29 in 1967, who has not made any earnings but was married to a man when he retired in 1972, and who retired in 1972, would receive a benefit of $221, which is now provided under present law.

Mr. Chairman, for workers at these higher earnings levels, we have placed a limit of $105 on the amount of the wife's benefit. This limitation will not be binding for this 15 years in the future. It will not in any way affect anyone presently on the rolls.

Mr. Chairman, I have already discussed the manner in which the social security program is to be financed.
The bill would provide for the first time, provision benefits for totally disabled widows and dependent widowers who are not old enough to qualify for the retirement benefits provided under present law. Your committee believes that widows and dependent widowers aged 50 or over who, because of severe disability, cannot support themselves by working are in much the same position with regard to benefit eligibility as are widows aged 62, an aged dependent widowers aged 62, who can qualified for benefits on the basis of age. The bill therefore provides reduced monthly benefits for disabled widows and widowers beginning at earlier than age 50, if disability began before, or within 7 years after, the spouse's death or, in the case of a widow, before, or within 7 years after, termination of mother's benefits.

A stricter test of disability than the present one for workers would apply to disabled widows and widowers. Under this test, a widower who would be considered disabled only if the impairment is one that is deemed sufficient to preclude him from engaging in any gainful activity—rather than any substantial and gainful activity, as is required for disabled workers. We wrote this provision of the bill very narrowly. Mr. Chairman, because it represents a step into an unexplored area where cost potentials are an important consideration.

**Disabled Worker Provisions**

The bill would also extend social security disability protection to additional totally disabled young workers and their families. Since workers disabled at an early age may not have the opportunity to work long enough to meet the general requirement of 20 out of 40 quarters, a less restrictive requirement is appropriate for such workers. Under the bill, a worker disabled before age 31 would be insured for disability purposes if he has quarters of coverage in half the quarters of his life. If he was aged 21 and before he incurred a disability.

The bill would modify one of the provisions of present law under which the amount of disability benefits must be reduced in some situations when a disabled worker is also entitled to workmen's compensation. Present law, in effect, limits the combined benefits to 80 percent of the worker's average monthly earnings before disability. Under the bill, the 80-percent-of-earnings limit would be computed from total earnings rather than from earnings limited by the social security maximum covered earnings, which, for many workers, of course, is much less than their actual earnings.

Reflecting your committee's concern about the rising cost of disability insurance programs and the way the statutory definition of disability has been interpreted in some court jurisdictions, and the effect this has had and may have in the future on the administration of the disability program, the bill provides specific guidelines in the law for determining when an individual is disabled to the degree required under the definition in the law. The language added to the basic definition specifies, first, that an individual has the ability, considering his age, education, and work experience, to engage in substantial gainful activity that exists in the national economy; he is not disabled regardless of whether a specific job is available to him or exists in the general area in which he lives.

In addition, the bill specifies such psychological and emotional impairments are medically determinable impairment and it makes clear that an individual shall not be considered to be disabled unless he submits such medical and other evidence as the Secretary of Health, Education, and Welfare, he shall not be considered to be disabled for the purposes of title II of the Social Security Act.

**Section 2103**

The bill makes a number of improvements in the coverage provisions. It provides noncontributory wage credits beginning in 1968 for servicemen amounting, in effect, to $100 for each month of active duty, in addition to the contributory wage credits earned through present coverage of their basic pay. The new credits will take account of the fact that servicemen must provide, through these wage credits for the substantial value of the food, shelter, and cash allowances they receive. The social security trust funds will be reimbursed from general revenues for the added cost of benefits that will result from the additional wage credits.

The coverage provisions for clergy are changed to extend coverage to newly now excluded. All clergy will be covered under social security except those who are conscientiously opposed on religious grounds to the acceptance of social security benefits or specifically designated as clergymen. For the first time, members of religious orders who have taken a vow of poverty will have an opportunity to be covered under the program, under the same provisions that apply to clergymen.

The bill also makes minor changes in the provisions for covering employees of States and localities and excludes from coverage certain retirement payments made by a partnership to a retired partner.

**Dependent Husbands, Widowers and Children**

Your committee is recommending significant improvements in the dependents' and survivors' protection provided for the husbands, widowers, and the children of women workers. A child would be considered dependent on his mother, and therefore eligible for benefits on her earnings record, in the same circumstances as those in which he is considered dependent on his father; and the dependency of a husband or widower of a woman worker would qualify as a benefit even though the woman had not recently worked in covered jobs.

These are the major changes the bill would make in the cash benefits part of the social security system. In addition, the committee has included a number of miscellaneous and technical improvements.

**Medicare Provisions**

Your committee also considered the Medicare provisions of the program, and the language added to the bill would make improvements in the benefits now provided to the aged under the Medicare legislation of 1965.

The Medicare provisions are designed primarily to simplify the administration of the Medicare program and to make certain relatively minor improvements in the benefit provisions.

Your committee gave extensive consideration to the question of extending health insurance protection under Medicare to people getting disability benefits under the social security and railroad retirement programs. While we believe there is much to say for extending the protection of Medicare to disability beneficiaries, we have regretfully concluded that we are not in a position this extension of protection at the present time.

A major factor in our decision was that data which first became available while the proposal was being considered indicated that the per capita cost of providing health insurance for the disabled under Medicare would be considerably higher than is the cost of providing the same coverage for the aged. As a result of the new data, estimates of the cost of the proposal were increased significantly, and this increase in the cost estimates raised serious problems with respect to the financing of the proposal. The estimated difference between the cost of Medicare for the disabled and for the aged was raised questions as to what would be the most equitable way of financing Medicare coverage—essentially medical insurance coverage, half of the total cost of which is met by the Federal government for its beneficiaries.

We have, therefore, included in the bill a provision under which an advisory council will be appointed in 1968 to study the question of extending Medicare to the disabled, including the unmet needs of the disabled for health insurance protection, the costs involved in providing this protection, and the ways of financing the protection. The council would also be required to make recommendations on how the protection should be financed and on the extent to which costs would be borne by the hospital insurance and supplementary medical insurance trust funds. The council would be required to submit a report of its findings to the Secretary of Health, Education, and Welfare no later than January 1, 1969, and this report subsequently would be submitted to the boards of trustees of the trust funds and to the Congress.

Your committee also gave serious consideration to statements that have been made to the effect that hospitals and extended care facilities are not receiving adequate reimbursement under Medicare. We find that Medicare reimbursement is as generous as, or more so than,
Blue Cross reimbursement in many parts of the country. However, it is still too early to say that the new medicare program will have on hospital finances, and the committee has asked the Department of Health, Education, and Welfare to check the situation as hospital accounts are adjusted during the first year. During the next year, we will receive reports of the experience and if problems appear, we will recommend appropriate steps to correct them.

Data published by the American Hospital Association for the year preceding the beginning of medicare indicate that short-term voluntary hospitals—which comprise the majority of hospitals—generally did not receive patient revenue which substantially exceeded their expenses. The hospitals had to depend on income from investments, contributions, and revenue from other sources to even meet their current expenses; overall a small surplus of income over expenses was realized. Payments for medicare patients, on the other hand, are required to pay their share of the bill including 2 percent above accounted-for costs. As a result, the American hospital association found that the demands placed on their resources for charity and bad debts are substantially reduced and that funds are freed to meet other critical needs. The improvements welfare programs made possible under title XIX should also help.

Hospitals have suggested that the medicare reimbursement formula be changed, primarily to provide hospitals with more funds for growth and expansion. It is generally recognized that many hospitals are having difficulty financing the outlays needed to meet the accumulated backlog of many years of capital improvements, construction of new facilities, acquisition of new equipment, and replacement and modernization of old equipment and facilities. There is some doubt, however, as to which additional hospital capital needs can be met through medicare beyond present provisions for paying depreciation costs, interest on borrowed capital, and the 2-percent above accounted-for costs.

Another difficulty in adopting the more generous reimbursement methods that have been proposed is that they would give more tax to any institution regardless of its efficiency and the quality of its service. Your committee is concerned that even under the present reimbursement on a cost basis many hospitals have actually fared during the first year. During the next year, we will receive reports of the experience and if problems appear, we will recommend appropriate steps to correct them.

Since the success of the experiments will be measured by improvement in efficiency and increase in output of health services per dollar of expenditure, effective methods for measuring quality are essential elements in the experiments and in many cases, such measures will have to be developed before experimentation can begin. Your committee believes that the committee should find it helpful to contract with research organizations, under existing authority, for the conduct of research designed to establish better methods of measuring hospital efficiencies.

It is very important that Government programs which pay for hospital services provide sufficiently high reimbursement to support the great hospital system that we have developed in this country and provide appropriate support for improvement in quality: At the same time, your committee has an obligation to the taxpayers of the Nation to be sure that they receive full value for payments made. It is our conclusion that at this time, no steps should be taken to raise the reimbursement level of medici- care and that funds are freed to meet other critical needs. The improvements welfare programs made possible under title XIX should also help.

Another area that the Committee studied at length relates to the types of services for which reimbursement is allowed under the medicare program. Amendments of a limited nature relative to this general area are included in the bill. In addition, the bill would require the Secretary of Health, Education, and Welfare to study the question of adding to the services now provided under the supplementary medical insurance program the services of additional types of licensed practitioners performing health services in independent practice. The Secretary would be required to report to the Congress prior to January 1, 1969, his findings with respect to the need for coverage of the kinds of services by the various types of services performed by such practitioners and the costs of covering such services.

In reference to this study, several Members have asked me just what practitioners might be included in the study. They have pointed out that the House has passed the Health Professions Educational Assistance Act, with subsequent amendments to that act, and that the Department of Health, Education and Welfare should study the question of adding to the supplementary medical insurance program the services of additional types of licensed practitioners performing health services in independent practice. The Secretary would be required to report to the Congress prior to January 1, 1969, his findings with respect to the need for coverage of the kinds of services by the various types of services performed by such practitioners and the costs of covering such services.

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As everyone knows, the present definition of title XVIII which set forth the professions that are included are contained in the definition of the word "physician" for the purposes of the Health Professions Act of 1964. The committee was of the view that further study was required. Accordingly, the committee referred these proposals to the Department of Health, Education, and Welfare for the information of the Members and the interested public. I will place in the Record at this point the proposals of the Nursing Home Association to which I refer. It should be understood that in so doing, there is no commitment on the part of or the committee with regard to this proposal except the referral of the subject to the Department for study and report back to us.

SUGGESTED AMENDMENTS TO TITLE XIX

I. Amend Section 1902(a) of the Social Security Act by adding the following new paragraphs at the end of Section 1902(a) (22) as follows:

"(20) provide that a nursing home to qualify for the benefits of the supplementary medical insurance program, must provide 24-hour nursing service which is sufficient to meet nursing needs in accordance with applicable state laws and regulations; must:

(A) have policies, which are developed with the advice of and with the approval of the nursing home association and the nursing home association to which the nursing home belongs, which are designed to prevent abuses by some nursing homes. These policies were included in the proposal referred by the Senate Committee to the House in the matter relating to nursing homes.

(B) maintain clinical records on all patients;

(C) provide 24-hour nursing service which is sufficient to meet nursing needs in accordance with the policies developed as provided in paragraph (A), and has at least one registered professional nurse (a registered professional nurse) or a licensed practical (or vocational) nurse (who is a graduate of a state approved school) employed full time with licensed personnel on all other shifts;"
"(F) provide appropriate methods and procedures for dispensing and administering of drugs and biologicals;

"(G) provide for timely transfer of patients to other health facilities (including a hospital providing inpatient service) whenever such transfer is medically necessary, and also provide for such arrangements for the transfer of the joint use (to the extent practicable) of clinical records between it and such facility, as appropriate;

"(H) have in effect a program of nursing care adequate to meet the needs of the patient. Such plan shall include (1) a continuing program of training personnel, (2) a nursing care plan for the individual patient, (3) written nursing plans for a program in improving patients to achieve and maintain an optimum level of self-care;

"(I) have a disaster plan in effect;

"(J) be a fire resistant structure or have a standard sprinkler system, or a recognized fire detection system;

"(K) meet such other conditions relating to the health and safety of individuals who are hospitalized, or in such nursing facility, or relating to the physical facilities thereof as the state agency finds to be necessary to assure inpatient hospital that they are in line with those of the top one-fifth of the states prior to January 1, 1970.

"(K) must provide for a periodic review, not less than every 5 years, of the state nursing home code or licensure provisions and regulations by the State agency (together with recommendations for improvement thereof) to the appropriate state authorities.

"(L) provide for (A) keeping of such records of the practices of hospitals and individuals providing services under a state plan as are necessary fully to disclose the extent to which individuals are charged to those paying assistance under the State plan, (B) furnishing the State agency with such information, regarding any payments claimed by such institutions and individuals for providing services under the State plan, as the State agency reasonably may request from time to time and (C) make available to the Secretary and the Comptroller General of the United States, upon request of the head of the Bureau of the Budget and the Comptroller General, and the Comptroller General in the open market or (B) made by such organization or individual under comparable circumstances to others.

II. Amend Section 1922(a)(1) by striking out 'or' at the end thereof and adding the following: "and further provide that recipients of medical assistance must be cared for in private or public institutions licensed by the State, or in their own homes, under the supervision of a home health agency licensed by the State.'

Mr. Chairman, as I mentioned earlier, the amendment is aimed at a number of improvements in the health insurance program.

One of the more significant changes would be to restrict the hospital insurance program to those with a physician's certification of medical necessity with respect to each admission to a hospital so that the requirement would apply only to admissions to psychiatric and tuberculosis institutions. Furthermore, in the interest of improving the quality of care, it is also proposed that the certification for outpatient hospital services would be eliminated. Elimination of these requirements will substantially reduce rehospitalization in the present law that there be a physician certification after inpatient hospital services have been furnished over a period of time would be retained. Second, the additional days of hospitalization which could be covered in a spell of illness would be increased from 90 to 120 days. However, the patient would have to pay a coinsurance amount of $20 per day for those additional days—subject to adjustment after 1968, depending on the trend of hospital costs. This amendment would help, among others, beneficiaries who have had payments made for some hospital care and who cannot renew their eligibility for inpatient hospital benefits because they require institutional care outside the hospital.

Third, a new procedure that would permit physicians—and others who furnish services for which payment under the medical insurance program is made on the basis of reasonable charges—to receive payment on the basis of an itemized bill, if the bill is submitted in an acceptable manner and if the total charges do not exceed the program's allowable charges, without having to agree, as under the assignment method now provided, to accept the program's allowable charges as full. Where these conditions are not met or where the physician requests that the benefits be paid to the patient, payment would be made to the beneficiary on the basis of an acceptable itemized bill. This new procedure will be helpful to beneficiaries as well as physicians.

Fourth, the bill would make three changes to facilitate hospital billing for certain services by a physician. First, provide that the full reasonable charges—with no deductible or coinsurance—will be paid under the medical insurance program for services performed by physicians and pathological services furnished by physicians to hospital inpatients; second, consolidate all coverage of outpatient hospital services under the medical insurance program by transferring coverage of outpatient hospital diagnostic services from the hospital insurance program to that program; and, third, allow hospitals to bill Medicare patients directly for outpatient charges which do not exceed $50—subject to final settlement in accordance with present cost-reimbursement provisions. Such provisions would simplify billing and would facilitate hospital and intermediary handling of medicare claims by bringing the requirements of the medicare program more closely into line with the usual billing practices of hospitals and the payment methods of private insurance organizations.

There are a number of amendments, in addition to those that I have discussed, which in general, result in very modest improvements in benefits under the medicare program or would make for smoother operation of the program.
and additional benefit payments. Under the 12 1/2-percent across-the-board benefit increase, 22.9 million people will get increased benefits in the first month, and these increased payments will total $2.8 billion in calendar year 1968, and an additional $59 million in benefits will be paid during the fiscal year 1968 to 900,000 people aged 72 or over who will receive special payments under legislation enacted in 1965 and 1966. Thus, close to 24 million people will get higher benefits under this bill.

Also, about 180,000 additional dependents of workers will get benefits, and the benefits will total about $85 million in 1968. Some 2,500,000 people will be added to the public assistance rolls. The total additional benefits that will be paid in 1968 as a result of the enactment of this bill will be about $3.2 billion.

There are many other provisions of this bill and I am satisfied they will be discussed by other members of the committee.

PUBLIC WELFARE AMENDMENTS

I want to go to this part of the bill that has been so much said about recently and that is the provisions that deal with the welfare programs.

Mr. Chairman, I understand it has been said that we have made mistakes— grievous mistakes here by putting limitations in this bill. I want to talk to you a little bit about what we found out.

If you will look at page 117 of the report—and to get some idea of what concerned us in the committee, you have to look at the report, and I would appreciate it if you would turn to the table on page 117.

Mr. Chairman, it is not known generally by our taxpayers that the Federal cost in the fiscal year 1968 for public assistance, which consists of payments-in-aid to families with dependent children and all other public assistance costs, plus title XIX, which is the so-called medical program, are budgeted at $41 1/2 billion.

I am sure it is not generally known that about 4 or 5 years hence when we get to the fiscal year 1972, the figure will have risen by perhaps $6,731,000,000.

Mr. Chairman, if I detect anything in the minds of the American people, it is this. They want us to be certain that when we put Federal funds into States to do something about it. Now, I do not think there is any question that the States should have a work and training program. We want the States to see to it that these provisions would result in a downturn in expenditures in this particular bill.

We have had a downturn so far as numbers are concerned of people over 65 on old-age assistance because of social security. We have had a lot fewer of these children whose fathers have died having to go on public assistance because of social security survivor benefits.

But, Mr. Chairman, we were faced with charts in the committee that started with 4 1/2 percent of our child population throughout the Nation on aid to families with Dependent children, and in a very short period of time, relatively speaking, we have increased the percentage, approximately 1/2 percent of the total child population of the United States to be on aid to families with dependent children.

Mr. Chairman, it should be pointed out, on the other hand, that the average stay of a family on aid to families with dependent children where the father is absent from the home is about 2 1/2 years. But then you have that extreme situation where not one generation lives on public welfare, but a second generation has been raised and a third generation has been raised. They have no other means of support.

We have done some things here, not in a negative way—with no thought of being negative—but with the thought in mind that it takes requirements on the States to reverse these trends. In 1962 we gave them options. For 5 years this load has gone up and up and up, with no end in sight.

Mr. Chairman, we have written into this bill certain requirements that a State must now meet. Those requirements are set out in the report in detail. We want the States to do a liberalization in the retirement test, and the amount of additional benefits paid to them will be $140 million.

But, Mr. Chairman, we were faced with extreme situations where people aged 72 or over who will receive additional benefit payments. Under this bill.

We are being very generous with the States, on the other hand. We are saying to the States, since we are requiring this of you, we will not match these kinds of programs. We are doing everything we can to help them. We are being very generous with the States.

What does this do? We pointed it out in this report. In 1972, the Department tells us, there is no probability they expect 400,000 fewer children on the rolls than there would have been under the existing law.

Is that not the way we should lead people? Is that not the way we want to push people from a condition that I am sure they do not want to be in—of need—into a position of independence and self-support?

This has been too long in coming. Mr. Chairman, because I believe somehow there is going to be a revolution, an upheaval, or something put on by the American taxpayers, if they can ever get organized. Whenever that happens, Mr. Chairman, we are going to see the trend. I hope in my opinion, unless the trends in these programs are reversed, and their administration made more sensible and more in the public interest, the taxpayer is going to insist that they be eliminated from the cost of government.

I do not think there is any question about it. If ever I heard anything in connection with a request for a tax increase—surcharge, or whatever it may be called—it is this. The letters have come from every State in the Union in truckloads: See to it, before we are taxed more. But that means that the programs and the programs that can pared to the bone are pared to the bone.

Mr. Chairman, what we have done in this bill will reduce the cost of these programs by approximately $713 million by 1972. If these provisions are not enacted, the programs will cost us $6.7 billion in 1972. These are items over which no one, including the President, has any control except the Congress. The States will send in their bills and we give them a check, after the expenditures have been incurred. There is no way to reduce these expenditures in the Appropriations Committee. It is our job today to get these programs on the proper track.
August 17, 1967

CONGRESSIONAL RECORD — HOUSE

H 10669

They say, this is all right but we should not have put any limitation per-
centage of the total child population of that State to put any additional
dependent children where the father is absent from the home. We should not have done that.
Mr. Chairman. We sincerely mean for the States to do these roles as fast as they can train these people to work. We mean it.
If they will reduce the rolls as we expect and as we are requiring, there is plenty of
capacity on the part of the total child population of that State to put any additional
dependent family of children on the rolls.
This is not a static figure, to begin with. It does not mean, if there are now
100,000 children on the rolls in a given State, that 10 years from today there
would have to be more than 100,000 children, because as the child population within the
State rises, that percent would become applicable to the larger number of children.
I want to make it clear, the provisions of these roles are not designed to
provide for a flat freeze on the numbers of children for which Federal matching will be available.
What we have done here is to freeze the present ratio that AFDC children are to
children in the State, example, if the number of children in the State increases at the rate of 2 percent a year, then the number
of children for which Federal matching would be available could actually increase by as much as $2,000. I would like to point out, also, that we selected only that category which has shown the most growth—the category where the father is absent from the home. This means that States which will be so inclined as to reduce those figures, fathers, which I hope many will do, will not be hindered from doing so by this provision.

Mr. Chairman, if we want to do anything in this area, we have to put on this limitation; otherwise, we may have just spent more money in the process of trying to train people and trying to get people to work. I have reached the conclusion that this trend has got to be reversed. That is my own feeling about it.
If it is not reversed, one of these days Mr. Chairman, we believe that this provision will assure that proper attention is given to the emp-
loyment potential of each adult member of an AFDC family. Moreover, we wish to put the States on notice that if they do not require the States, as a condition for receiving Federal matching, to take off the rolls those adult members of a family who refuse without good cause to accept training or employment offered to them, this program for each family would be the planning document for providing the family with those services, employment or other types, which would enable the family to get off the AFDC rolls and to be restored to independence as quickly as possible. The States would be required to report regularly on their experience in setting up and carrying out these programs. The Secretary of Health, Education, and Welfare would, in turn, submit annual reports to the Congress, the first one due January 1, 1970, so that we can evaluate the effectiveness of these provisions.
The members of the committee were well aware that the implementation of these programs could not be successful unless we required that the States take the burden of training and employment which the States would be required to furnish to these families.

The bill would substantially modify the program of aid to the children of the unemployed. The program of aid to children and families where the parent is employed is optional with the States, and, under the bill, would remain so. However, we found on examining this program that the fact that the definition of unemployment is left to the States has had unfortunate results. In some cases, the definition used by the States has been very narrow so that only a few people have been helped. In other cases, the definition of unemployment has gone well beyond anything that the Congress envisioned when it first put these programs in the law in 1961.

We realize that many of the adult members of AFDC families who are participating in these programs will be the mothers of minor children. The bill would require, therefore, that all States furnish day-care services and other ap-
propriate services to make it feasible for mothers to take training and employ-
ment when the State determines that it is appropriate for the mother to work.

Recognizing, too, that the States would be unable to take on the new responsibilities which these provisions would require without additional financing, we have provided in this bill for Federal matching of 75 percent for the services related to illegitimacy, training through schools, churches, and other community organiza-
tions, these programs would be aimed at reducing the causes of illegitimacy.
As I indicated earlier, there are two other areas at which the provisions in the bill are directed—the prevention of those situations which lead to families having to apply for assistance and the programs and parental support of the children involved. To aim at the preven-
tion of dependency, the States would be required to establish programs to combat illegitimacy. Operating through schools, churches, and other community organiza-
tions, these programs would be aimed at reducing the causes of illegitimacy.

Some of these programs have been demonstrated successful on a pilot basis, and we believe they should be extended to as many areas as possible.

The plan for each adult AFDC recipi-
"tal potential has been the offer of family planning services wherever appropriate. This provision should also help reduce the incidence of illegitimate births and thus reduce proportions, now 20 percent, of illegitimate children on the AFDC rolls. The acceptance of family planning services would, of course, be completely voluntary on the part of the recipient.

In addition, as an incentive to have States start these programs before they be-
come mandatory on July 1, 1969, Federal matching of 85 percent would be available up to that point.
Mr. Chairman, if we want to do anything in this area, we have to put on this limitation; otherwise, we may have just spent more money in the process of trying to train people and trying to get people to work. I have reached the conclusion that this trend has got to be reversed. That is my own feeling about it.
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The bill would correct this situation and make other improvements in the program. The objective of the provisions in the bill is to tie the program more closely to the work and training programs, to which I referred earlier, and to protect only the children of unemployed fathers who have had a significant attachment to the child. To the extent that the bill achieves this, the fathers will be required to register at the employment office, be enrolled in a community work and training program with the permission of the AFDC office, and not refuse to accept employment. With these changes, the bill would make this optional program a permanent part of AFDC.

The bill would provide for a new program of emergency assistance for families for a temporary period. This new program would allow Federal matching for a wide variety of services which families may need in an emergency situation for a short period of time. We believe that encouraging the States to move quickly in family situations by supplying funds to families with appropriate services, would in many cases preclude the necessity for the family having to go on emergency assistance on a more or less permanent basis. Federal matching would be at 50 percent for emergency assistance payments and the usual 75 percent for the social services which the family may require.

To provide additional assurance that appropriate child welfare services will be furnished effectively to AFDC families in ranging out the program for each adult and for support services for children, the bill would first place the child welfare provisions in the title of the act which establishes the AFDC program; second, include these services under 75-percent Federal matching, the same proportion which applies to certain other services under AFDC; and, third, require that the child welfare services and other services to AFDC children be furnished by the same organizational unit.

In addition, these services could be furnished to families who would otherwise have to go on the rolls. The third group of proposals are designed to furnish additional protection to children and more effective mechanisms for assuring that their parents support them when able. We found in our deliberations on the AFDC program that much more should be done in these areas. The bill, therefore, includes several provisions to carry out these purposes.

First, the bill would require that the States make protective payments and vendor payments in cases where they find that the child is not getting the benefit of the assistance payment. I might point out right here what can be done for the children if the parent refuses to work and loses his payment. A number of protective measures are open: first, 30-day emergency assistance can be provided to the child under a new provision added by the bill; second, vendor payments can be made on behalf of the family in the form of food, rent, and so forth; third, protective payments would be made to an "interested party" for the child; and fourth, if the child's home situation is so bad as to warrant it, the Welfare Administration can look for another relative with whom the child could live, or the child could be removed from the home and be put into foster care. In both these situations, the child's AFDC payment would be continued.

Another provision would require that State welfare agencies refer cases of child abuse or neglect promptly to appropriate agencies in the community. In addition, the bill would require that Federal matching be at 50 percent for the referrals and the enforcement of child support laws. In addition, in order to assure that these cases receive full attention by law enforcement officials and the courts, the bill would provide for firm Federal financial assistance to pay for the expenses of law enforcement agencies arising from efforts to collect support from parents.

Moreover, the provision in the security part of this bill which establishes the AFDC program, and Federal matching for the largest AFDC category—where the parent is absent from the home—to the proportion of each State's total child population that is now receiving AFDC in this category. This provision, we believe, can provide a strong and positive incentive to make effective use of the constructive programs which the bill would establish. Moreover, this limitation on Federal matching would not apply to any deserving family from receiving aid payments. The States would not be free to keep any family off the rolls to keep within this limitation because there is a requirement in the law that requires equal treatment of recipients and uniform administration of a program within a State. Moreover, the provisions I have described that will require the States to take action to lessen dependency will result in there being fewer families on the AFDC rolls. In order to assist the States in establishing and carrying out these new programs, the bill provides for highly favorable Federal matching.

The purpose of this limitation is to assure effective State action in carrying out the new constructive programs.

Third, the bill would make permanent and increase from $2 to $4 million the authorization to support demonstration projects in public assistance. In order to assure that these projects, and other projects financed entirely out of Federal funds, receive review and evaluation at the highest levels, the bill would require the Secretary or Under Secretary of Health, Education, and Welfare to personally approve each project and promptly notify the Congress concerning the content, cost, and expected duration.

CHILD WELFARE PROVISIONS

Mr. Chairman, a number of bills to amend the child welfare provisions of the Social Security Act were before the committee. H.R. 1977, introduced by Mr. Burke, would authorize such sums as may be necessary to enable the States to provide more adequate child welfare services, including foster care. H.R. 3969, introduced by Mr. King, would provide grant-in-aid funds for foster care.

In response to the obvious need to increase support for child welfare programs, Mr. Chairman, I am pleased to announce that the Administration has reviewed the current program. The committee has very carefully analyzed the factors which have caused its great growth. Mr. Chairman, the provisions which the committee has included in the bill are in the following order: they are constructive; they are sound; and with cooperative and dedicated administration, they will work.

We are requiring the States to supply the services which will help the child, for this experience has shown can lead to independence and self-direction for many unfortunate families. The objective of these provisions is to get people off the AFDC rolls. But we do not believe it can be carried out not by cutting off the funds of those in need but by restoring them to independence and a vital roll in their communities.

OTHER PUBLIC ASSISTANCE PROVISIONS

Mr. Chairman, during the in-depth analysis of the assistance programs, we found some situations relating to all of the cash public assistance programs which need attention. The committee approved and recommends several changes.

First, the bill would provide that States could get 50-percent Federal matching to meet the cost of repairing the home owned by an assistance recipient under titles I, XIV, or XVI of the Social Security Act if the cost of the repairs is less than $500 and the recipient would not go into higher cost rental housing if the repairs were not made. The committee found that the present provisions could operate to force a recipient into rented quarters with increased assistance costs; this would prevent such uneconomic results.

Second, the bill would authorize $5 million a year for 4 years to support programs for training social workers. The committee was impressed by the data furnished to it which indicated severe shortages of social workers in public welfare. However, we also wanted to encourage schools to establish social work courses at the undergraduate level since at least half the shortage is of workers who do not need to have graduate training. The bill would require, therefore, that at least half of the funds authorized be for undergraduate purposes.

Third, the bill would make permanent and increase from $2 to $4 million the authorization to support demonstration projects in public assistance. In order to...
and from $60 to $110 million for each year thereafter. States are required to provide child welfare services to AFDC children through a single organizational unit in the State and local agency which administers the AFDC program. Federal funds will pay 75 percent of the cost of such services to AFDC children.

The change in the foster care provisions of the AFDC program, which I mentioned earlier, will increase Federal participation for foster care by $20 million in 1970.

The bill also broadens the research and demonstration authority with respect to child welfare.

**Title XX Amendments**

You may recall, Mr. Chairman, that the Committee on Ways and Means reported a bill in 1966 to make certain changes in title XIX. Congress adjourned before action could be taken on that proposal. Some of the amendments in H.R. 12060 are similar to, or identical with, the provisions of last year's bill. The primary provision, however, which would establish a limitation on Federal matching under the program, is a new approach to the problem.

The proposal in the committee's bill sets two limits on Federal financial participation with respect to the income level States may establish in determining who is medically needy insofar as Federal participation is concerned. Under the law, each State which extends its program to include the medically needy must set dollar amounts that an individual and families of various sizes will need to provide them with the basic living standard the State has set. Persons at or below those levels are considered unable to contribute anything toward the cost of their medical care; persons above those levels are considered able to pay some income available to pay toward the cost of the medical expenses they need. Your committee is proposing, for all State plans approved after July 25, 1967, that Federal sharing will not be available for families whose income exceeds 133 1/3 percent of the highest amount ordinarily paid to a family of the same size—without any income and resources—in the form of money payments under the AFDC program. We selected the AFDC income limits because they are the lowest that are used in the categorical assistance programs. The Secretary is given discretion to make appropriate adjustments if a State applies a uniform maximum to families of different sizes. The bill provides a further test of the matchability of State expenditures by setting a figure of 133 1/3 percent of the average per capita income of a State as the upper limit on Federal sharing when applied to a family of four under the title XIX program. That figure would be proportionately reduced or increased to reflect the level for smaller or larger family groups.

For States with plans already approved, the limit of Federal sharing under both tests would be 150 percent effective January 1, 1969, and 133 1/3 percent on January 1, 1970. This staggered period of reduction will enable the States affected to make the necessary adjustments either in the scope of the program or in the amount they offer in the State or in their financing arrangements.

Other provisions in the bill related to the medicaid, title XIX, program would:

First. Allow States a broader choice of required health services under the program;

Second. Exempt from the requirement of “comparability” for all recipients the benefits "bought in" by the aged under the medicare supplementary medical insurance program;

Third. Allow recipients free choice of qualified providers of health services;

Fourth. Allow, at the option of the States, direct payments to medically needy recipients for physicians' services;

Fifth. Establish an Advisory Council on Medical Assistance to advise the Secretary of Health, Education, and Welfare on administration of the program and

Sixth. Require the States to assure that medical expenses of a recipient which a third party has an obligation to pay will not be paid for under the medical assistance program.

**Child Health**

The provisions of the bill that remain to be described are designed to improve programs relating to the health of mothers and children. The bill would first, consolidate separate earmarked authorizations, now in a confusing set of separate sections under the law, into three broad categories under one authorization: formula grants; States, project grants, and grants for research and training, with project authority to be assumed by the States in their formula grants and eliminated as a separate category in fiscal year 1973; second, increase total authorizations by steps, with such increases directed particularly to expanded screening and treatment of children with disabling conditions, family planning, and dental health of children; and, third, amend the research and training authority to emphasize improved methods of delivering health care through the use of new types of personnel with varying levels of training in order to give added emphasis to the training of medical assistants and health aides and the strengthening of training at the undergraduate level.

Mr. Chairman, I am proud of the fact that we were able to get virtually unanimous agreement within the committee on the desirability of the provisions of this bill, so that we are able to bring to you a truly bipartisan measure for the improvement of the social security program. The bill is worthy of the support of every single Member of this House, and I hope that all of my colleagues will find that they can support it and be proud of it.

Mr. Chairman, I will include at this point a number of tables containing data relative to various provisions of the bill.
TABLE 2.—ESTIMATED ADDITIONAL GALSII BENEFIT PAYMENTS IN CALENDAR YEARS 1968 AND 1972 UNDER H.R. 12800

<table>
<thead>
<tr>
<th>Item</th>
<th>1968</th>
<th>1972</th>
</tr>
</thead>
<tbody>
<tr>
<td>121/2-percent benefit increase</td>
<td>$2,812</td>
<td>$3,324</td>
</tr>
<tr>
<td>Benefit increase for transitional insured</td>
<td>$67</td>
<td>$44.00</td>
</tr>
<tr>
<td>Liberalized benefits with respect to women worker</td>
<td>$150</td>
<td>$78.20</td>
</tr>
<tr>
<td>31-year benefit at age 65</td>
<td>$206.00</td>
<td>$224.00</td>
</tr>
<tr>
<td>Total</td>
<td>$3,226</td>
<td>$3,847</td>
</tr>
</tbody>
</table>

TABLE 3. ESTIMATED NUMBERS OF BENEFICIARIES

I. Beneficiaries in current-payment status on Dec. 31, 1967, whose benefits for December (assumed to be the effective month) will be increased by $23,750,000

II. Estimated number of new beneficiaries who can receive a benefit on December 31, 1967, under the CASSI program as modified by the bill but who cannot receive a benefit for December 1967 under present law.

<table>
<thead>
<tr>
<th>Description</th>
<th>Present law</th>
<th>Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent of women worker fully not currently insured at death, disability, or retirement total</td>
<td>190,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Husband and widowers</td>
<td>3,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Workers disabled before attaining age 31, and their dependents</td>
<td>100,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Noninsured persons aged 72 and older</td>
<td>65,000</td>
<td>75,000</td>
</tr>
</tbody>
</table>

III. Estimated number of persons affected in 1968 by the modification of the earnings test.

<table>
<thead>
<tr>
<th>Description</th>
<th>Present law</th>
<th>Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons who can receive no benefits for 1968 under the earnings test in present law but who will receive some benefits for 1968 under the test as modified by the bill</td>
<td>50,000</td>
<td>75,000</td>
</tr>
</tbody>
</table>

IV. Persons who can receive some benefits for 1968 under the earnings test in present law but who will receive more benefits under the test as modified by the bill.

<table>
<thead>
<tr>
<th>Description</th>
<th>Present law</th>
<th>Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons receiving governmental pensions who can receive a reduced payment not exceeding $5 per month</td>
<td>50,000</td>
<td>75,000</td>
</tr>
</tbody>
</table>

TABLE 4. AVERAGE BENEFITS FOR SELECTED BENEFICIARY CATEGORIES IN CURRENT-PAYMENT STATUS DEC. 31, 1967, UNDER PRESENT AND H.R. 12800

<table>
<thead>
<tr>
<th>Present law</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family groups:</td>
<td></td>
</tr>
<tr>
<td>Retired worker</td>
<td>$322</td>
</tr>
<tr>
<td>Married retired worker</td>
<td>$93</td>
</tr>
<tr>
<td>Retired worker and aged wife</td>
<td>$145</td>
</tr>
<tr>
<td>Widowed worker and aged wife</td>
<td>$223</td>
</tr>
<tr>
<td>Disabled worker, wife, and 1 or more children</td>
<td>$212</td>
</tr>
<tr>
<td>Beneficiary group: All retired workers</td>
<td>$55</td>
</tr>
</tbody>
</table>

TABLE 5. ILLUSTRATIVE MONTHLY BENEFITS PAYABLE UNDER PRESENT LAW AND UNDER THE COMMITTEE BILL ARE SHOWN IN THE FOLLOWING TABLE

<table>
<thead>
<tr>
<th>Average monthly earnings</th>
<th>Worker 1</th>
<th>Man and wife 2</th>
<th>Widow, widower, or parent, age 62</th>
<th>Widow and 2 children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present law</td>
<td>Bill</td>
<td>Present law</td>
<td>Present law</td>
<td>Present law</td>
</tr>
<tr>
<td>$67</td>
<td>$44.00</td>
<td>$50.00</td>
<td>$66.00</td>
<td>$75.00</td>
</tr>
<tr>
<td>$150</td>
<td>$78.20</td>
<td>$88.00</td>
<td>$117.30</td>
<td>$132.00</td>
</tr>
<tr>
<td>$250</td>
<td>$107.10</td>
<td>$114.50</td>
<td>$125.60</td>
<td>$131.80</td>
</tr>
<tr>
<td>$350</td>
<td>$122.80</td>
<td>$130.60</td>
<td>$138.80</td>
<td>$146.40</td>
</tr>
<tr>
<td>$450</td>
<td>$138.90</td>
<td>$149.30</td>
<td>$157.30</td>
<td>$166.00</td>
</tr>
<tr>
<td>$550</td>
<td>$154.90</td>
<td>$165.50</td>
<td>$176.40</td>
<td>$186.20</td>
</tr>
<tr>
<td>$650</td>
<td>$170.90</td>
<td>$181.80</td>
<td>$189.00</td>
<td>$199.90</td>
</tr>
<tr>
<td>$750</td>
<td>$186.90</td>
<td>$198.90</td>
<td>$207.90</td>
<td>$218.70</td>
</tr>
<tr>
<td>$850</td>
<td>$202.90</td>
<td>$215.20</td>
<td>$218.80</td>
<td>$228.00</td>
</tr>
<tr>
<td>$950</td>
<td>$218.90</td>
<td>$231.80</td>
<td>$239.00</td>
<td>$250.00</td>
</tr>
<tr>
<td>$1,000</td>
<td>$234.90</td>
<td>$248.00</td>
<td>$257.90</td>
<td>$270.00</td>
</tr>
</tbody>
</table>

TABLE 6. 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, PRESENT LAW AND COMMITTEE BILL, BASED ON 3.75-PERCENT INTEREST

<table>
<thead>
<tr>
<th>Item</th>
<th>Level-cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level-cost of benefit payments, present law:</td>
<td>1.73</td>
</tr>
<tr>
<td>Revised estimate</td>
<td>1.47</td>
</tr>
<tr>
<td>Increase in earnings base</td>
<td>-11</td>
</tr>
<tr>
<td>Transfer of outpatient diagnostic benefits to SMI</td>
<td>-31</td>
</tr>
<tr>
<td>Increase in maximum duration of inpatient benefits</td>
<td>-10</td>
</tr>
<tr>
<td>Revised contribution schedule</td>
<td>-18</td>
</tr>
</tbody>
</table>

Total effect of changes in bill: 1.57

Actuarial balance under present law, original estimate: 1.00

Actuarial balance under present law, revised estimate: -0.24

Actuarial balance under committee bill: -0.46

Net level-cost of benefit payments under committee bill: 1.35

Net level-equivalent of contributions under committee bill: 1.41

1 Including administrative expenses.

TABLE 7. ESTIMATED PROGRESS OF HOSPITAL INSURANCE FUND TOWARD INTERMEDIATE-COST ESTIMATE (in millions)

<table>
<thead>
<tr>
<th>Calendar year Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>$1,911</td>
<td>$783</td>
<td>$57</td>
<td>$34</td>
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</tbody>
</table>

ACTUAL DATA

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$2,943,243</td>
</tr>
<tr>
<td>1968</td>
<td>$3,322,127</td>
</tr>
<tr>
<td>1969</td>
<td>$3,516,109</td>
</tr>
<tr>
<td>1970</td>
<td>$3,637,189</td>
</tr>
<tr>
<td>1971</td>
<td>$3,637,199</td>
</tr>
<tr>
<td>1972</td>
<td>$3,500,189</td>
</tr>
</tbody>
</table>

Estimated data, committee bill

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated data, present law</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$2,943,243</td>
</tr>
<tr>
<td>1968</td>
<td>$3,322,127</td>
</tr>
<tr>
<td>1969</td>
<td>$3,516,109</td>
</tr>
<tr>
<td>1970</td>
<td>$3,637,189</td>
</tr>
<tr>
<td>1971</td>
<td>$3,637,199</td>
</tr>
<tr>
<td>1972</td>
<td>$3,500,189</td>
</tr>
</tbody>
</table>

ACTUAL DATA

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
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<td>$3,637,189</td>
</tr>
<tr>
<td>1971</td>
<td>$3,637,199</td>
</tr>
<tr>
<td>1972</td>
<td>$3,500,189</td>
</tr>
</tbody>
</table>

Estimated data, present law

1 Including administrative expenses incurred in 1965.

2 Fund exhausted in 1972.

3 Note: The transactions relating to the noninsured persons, the costs for whom is borne out of the general funds of the Treasury, are not included in the above figures. The actual disbursements in 1966, and the balance in the trust fund at the end of the year, have been adjusted by an estimated $138 million on this account.

TABLE 8. 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 COMMITTEE BILL, BASED ON 3.75-PERCENT INTEREST

<table>
<thead>
<tr>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old-age and survivors insurance</td>
</tr>
<tr>
<td>$0.89</td>
</tr>
<tr>
<td>Increase in earnings base</td>
</tr>
<tr>
<td>Earnings test liberalization</td>
</tr>
<tr>
<td>Disabled widow's benefits at age 60</td>
</tr>
<tr>
<td>Special disability survived status under age 60</td>
</tr>
<tr>
<td>Liberalized benefits with respect to women workers</td>
</tr>
<tr>
<td>Benefit increase of 12.5 percent</td>
</tr>
<tr>
<td>Revised contribution schedule</td>
</tr>
</tbody>
</table>

Total effect of changes in bill: +0.15

Actuarial balance under bill: +0.94

1 Less than 0.005 percent.

2 Not applicable to this program.
### TABLE 9.—PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, SHORT-RANGE ESTIMATE

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial interchange</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>$3,367</td>
<td>$1,885</td>
<td>$81</td>
<td>$400</td>
<td>$417</td>
<td>$15,940</td>
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<tr>
<td>1956</td>
<td>$2,194</td>
<td>$702</td>
<td>$48</td>
<td>$392</td>
<td>$447</td>
<td>$15,976</td>
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<tr>
<td>1957</td>
<td>$2,080</td>
<td>$699</td>
<td>$52</td>
<td>$382</td>
<td>$455</td>
<td>$16,352</td>
</tr>
</tbody>
</table>

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service and for the special benefits payable to certain noninsured persons aged 72 or over.

**Actual data**

- **1955:** $3,367
- **1956:** $2,194
- **1957:** $2,080

---

### TABLE 10.—PROGRESS OF DISABILITY INSURANCE TRUST FUND, SHORT-RANGE COST ESTIMATE—Continued

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial interchange</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$2,313</td>
<td>$1,920</td>
<td>$122</td>
<td>$317</td>
<td>$31</td>
<td>$15,751</td>
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<td>1968</td>
<td>$2,090</td>
<td>$1,876</td>
<td>$114</td>
<td>$251</td>
<td>$114</td>
<td>$16,807</td>
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<tr>
<td>1969</td>
<td>$1,512</td>
<td>$1,280</td>
<td>$152</td>
<td>$612</td>
<td>$152</td>
<td>$3,194</td>
</tr>
<tr>
<td>1970</td>
<td>$1,151</td>
<td>$988</td>
<td>$95</td>
<td>$533</td>
<td>$533</td>
<td>$3,471</td>
</tr>
<tr>
<td>1971</td>
<td>$988</td>
<td>$828</td>
<td>$75</td>
<td>$357</td>
<td>$357</td>
<td>$2,022</td>
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<tr>
<td>1972</td>
<td>$747</td>
<td>$699</td>
<td>$55</td>
<td>$349</td>
<td>$349</td>
<td>$1,217</td>
</tr>
</tbody>
</table>

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service and for the special benefits payable to certain noninsured persons aged 72 or over.

**Estimated data (short-range estimate), committee bill**

- **1967:** $23,210
- **1968:** $23,210
- **1969:** $22,858
- **1970:** $21,411
- **1971:** $18,384
- **1972:** $18,267

---

### TABLE 11. PUBLIC WELFARE COSTS IN COMMITTEE BILL

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Fiscal year</th>
<th>Fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>1969</td>
<td>1970</td>
</tr>
</tbody>
</table>

**Public assistance:**

- **AFDC costs if there are no change in present law:** $1,462
- **Title XIX costs if there is no change in present law:** $1,281

**Subtotal, present law:** $2,743

**Decreases in the committee bill:**

- **Day care:** $707
- **Other social services:** $575
- **Earnings exemption:** $25
- **Work training:** $225
- **Food stamps under AFDC:** $10
- **Emergency assistance:** $35
- **Public aid for the aged:** $17.5
- **Demonstration projects:** $2

**Subtotal, decreases:** $2,966

**Net savings due to public assistance amendments:** $7,774

**Total, public assistance as amended by committee bill:** $4,422

**Social work manpower:** $15

**Social welfare savings in committee bill:** $1,715

**Child welfare:** $5

**Increase for child welfare services:** $45

**Foster care under AFDC:** $40

**Subtotal, increases:** $55

**Net public welfare savings in committee bill:** $7,715

**Note:** Assumes annual increase in the rolls of about 200,000, based on the experience of the past several years, allows increase of $1 each year in the average monthly payment per recipient, in line with recent experience.

**Includes all medical vendor payments; assumes 5 percent annual increase in unit costs after 1968.**

**Assumes continued decline in number of old-age assistance and aid to the blind recipients, and continued increase in cost to the permanently and totally disabled, based on experience; allows increases for average payments.**

**Assumes that social security benefit increases will fully reduce public assistance payments.**

**Includes annual increase in the rolls of about 200,000, based on the experience of the past several years, allows increase of $1 each year in the average monthly payment per recipient, in line with recent experience.**

**Includes all medical vendor payments; assumes 5 percent annual increase in unit costs after 1968.**

**Assumes continued decline in number of old-age assistance and aid to the blind recipients, and continued increase in cost to the permanently and totally disabled, based on experience; allows increases for average payments.**

**Assumes that social security benefit increases will fully reduce public assistance payments.**

**$45,000,000 in 1968 budget.**

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### TABLE 12.—SUMMARY OF GENERAL FUND COSTS IN H.R. 1280 AND H.R. 9710

<table>
<thead>
<tr>
<th>Program</th>
<th>Fiscal year</th>
<th>Fiscal year</th>
<th>Fiscal year</th>
<th>Fiscal year</th>
</tr>
</thead>
</table>

**Social security:** $33

**Child welfare:** $69

**Total:** $40

**Note:** Minus sign designates a savings.
Mr. ROUDEBUSH. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Indiana.

Mr. ROUDEBUSH. I thank the gentleman for yielding. I should like to ask the distinguished chairman one question. I have been aware of the old soldiers of this Nation who are receiving non-service-connected benefits. I am sure the gentleman is aware of the fact that the income they receive from social security institutions is in determining the amount of payment to veterans and the next of kin. Can the gentleman give us any assurance that this increase in social security benefits will not have an injurious effect on the income of those receiving non-service-connected benefits from the Veterans' Administration?

Mr. MILLS. That is not within the jurisdiction of the Committee on Ways and Means.

As the gentleman knows, it will require an amendment to the veterans' legislation in order to prevent that from happening. I do not see the chairman of the Veterans' Affairs Committee on the floor at the moment, though he was here a minute ago.

If there are members of the Veterans' Affairs Committee in the House who would like to call their attention to the fact that there will actually be a reduction in the veterans' benefits of some veterans as a result of this social security increase which may be greater than the social security increase, unless that committee takes some action following enactment of this legislation.

I have discussed the matter with the chairman of the Veterans' Affairs Committee. He is thoroughly aware of it. I believe he is waiting only for this bill to be finalized before he asks the House to take that approach.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Florida.

Mr. MILLS. I want to assure the gentleman that the chairman of the Veterans' Affairs Committee has said when this bill is passed he will take the necessary action.

Mr. ROUDEBUSH. I thank the gentleman, and appreciate the assurance that our veterans rights will be protected.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, I want to commend the chairman for the clarity and frankness of his statement this afternoon and ask in occasion legislation, which may be greater than the social security increase, unless that committee will rise to the floor for debate and we point to some good in those programs which is accessible to the States wherever they can to meet the needs.

Mr. CAREY. In some States there is over 80 percent reimbursement of our welfare costs.

Mr. MILLS. Eighty-three percent is the maximum.

Mr. CAREY. Eighty-three is the maximum.

Mr. MILLS. What I am thinking about is fixing the need for a family of four persons on medical assistance at $6,000 after the payment of all taxes and work expenses.

Mr. CAREY. I will not comment on title XIX. Something has to be done in that regard, also—and I do not want to comment on Governor Rockefeller's role in doing this. We have ongoing working groups under the Economic Opportunity Act duplicative of this work training program in the pending bill. Some of these have had the effect of getting people into jobs that match their skills. Is it the intention of the committee to set up parallel and duplicate programs or use the ongoing program in the States wherever they can to meet the need?

Mr. MILLS. It is clearly understood where there is a standing program of a Federal or State agency or a State or local plan or anything of that sort, for training or any other program or any of these programs, which is accessible to the States and it is even possible for the State to utilize nonprofit organizations for the training of people, that we would use such agencies or organizations. It is not intended that there be a duplication, but it is intended that where no such training program exists, one is to be made available.

Mr. CAREY. I would hope that the chairman would aid those of us who want to hold onto good programs of job training that we have been able to inaugurate. We do not want to see the job training bill cut off to the floor for debate and we point to some good in those programs we hope to get assistance by holding onto some of these meritorious programs.

Mr. FRIEDEL. Mr. Chairman, I thank the gentleman for yielding.

Mr. MILLS. I now yield to the gentleman from Maryland (Mr. FRIEDEL).

Mr. FRIEDEL. Mr. Chairman, I want to compliment the chairman of the committee for his work under the Economic Opportunity Act which he has brought in, but I want to make it clear, too, that the Railroad Retirement Act employees would not benefit...
from social security. We need new legislation to get the railroad employees who are retired increases in their benefits. The distinction damaged gentleman from Maryland is a better authority on that subject than am I because he serves on the committee of this House of Representatives which handles railroad retirement problems. However, there is an interrelationship, as the gentleman well knows. There is the minimum guaranteed provision of the Railroad Retirement Act that ties some annuitants' benefits into social security benefits rates. Also, the railroad retirement tax rate is tied to the social security tax rate in future years, as is also the maximum taxable wage base.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Chairman, I yield myself 3 additional minutes.

Mr. FRIEDEL. Mr. Chairman, will the gentleman yield further?

Mr. MILLS. I yield further to the gentleman from Wisconsin.

Mr. FRIEDEL. In other words, they will not receive any increased benefits under this proposed legislation?

Mr. MILLS. Of course, I am glad to yield to the gentleman from Maryland.

Mr. BYRNES of Wisconsin, Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield further to the distinguished gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Before we leave this matter of the limitation which the committee has placed on the aid to dependent children category, I think based upon some of the discussions of some of the Members and based upon the questions which they have asked, it seems to me that there are some of the statements which have even come out of the Department of Education and Welfare—they have not read the bill, or else there is a misunderstanding as to just what we proposed to accomplish through the enactment of this legislation.

Mr. Chairman, I feel it might be well to point out that we have within the AFDC area now families with dependent children, individual categories. There is the category of dependent children where the death of the breadwinner is concerned. We do not place any limitation in that area whatsoever. The payment can go up by whatever percent. There is no limitation on it.

However, there is another category where we provide participation with the States in the same manner as which we provide for such participation with reference to dependent children. That is where the breadwinner becomes disabled. There is no limitation there. All things contained in this bill affect that situation.

Then, there is the other category where we authorize the States to have programs whereby for a certain number of dependent children where the father is unemployed and where he is in the home. There is no limitation there. The only qualification or limitation applies to situations where in some instances the father has abandoned the home—left the home—and is not taking care of his dependents.

That is where the limitation because it is where the growth and the problem lies.

In my opinion the evidence which was presented to the Committee on Ways and Means was perfectly clear to the effect that there has not been any effort to find these parents in far too many cases, to find these fathers in far too many cases, abandoned the support of their children.

In other words, Mr. Chairman, we have got to put some teeth into this situation in order to force the States to see that these fathers bear the burden of supporting their own children. That is the only area in which we have placed any limitation upon this particular part of this legislation.

Mr. MILLS. I thank my distinguished friend, the gentleman from Wisconsin, for his contribution.

Mr. COHELAN. Mr. Chairman, will the gentleman yield?

Mr. MILLS. Of course. I am glad to yield to the gentleman from California.

Mr. COHELAN. Mr. Chairman, I too wish to compliment the distinguished chairman of the Committee on Ways and Means and the entire membership of the committee for the work it has done in this important field.

However, Mr. Chairman, I would like to associate myself with the remarks which have been made by the distinguished gentleman from New York (Mr. Casey) because much of what the gentleman said applies to the great State of California and in particular to the congressional district which I have the honor to represent.

Mr. Chairman, in my district the unemployment rate is slightly above the national average. In addition to that, in our OEO programs with emphasis on the youth and the family we probably have one of the most active programs in the country. I have particular reference to Oakland, Calif., and Berkeley, Calif., in the San Francisco Bay area. I was there a couple of weeks ago.

However, Mr. Chairman, we also have a structural unemployment rate of something in the order of 15 percent.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Chairman, I yield myself 3 additional minutes.

Mr. FRIEDEL. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield further to the distinguished gentleman from Wisconsin.

Mr. FRIEDEL. Mr. Chairman, will the gentleman yield further?

Mr. MILLS. Mr. Chairman, I yield further to the distinguished gentleman from California.

Mr. COHELAN. Mr. Chairman, I know that the gentleman from Arkansas is aware of the fact that the AFDC program in its present form is an employed father in the AFDC program, it may be done. There is no reason why it cannot be done. But, what we want your State to do is to give us a plan that will use the Federal funds, that the time the man remains on the roll eligible for aid to dependent children will be made as short as possible.

Mr. COHELAN. But does the distinguished chairman clearly understand that it is a question of job development as an end of training.

Mr. MILLS. Yes, but what is the alternative? To go on as we have been going and have at least 5 percent of the children in the United States on welfare? I do not think we should do that.

Mr. COHELAN. I am not denying the goals of the committee, Mr. Chairman. I merely am trying to focus on the reality that jobs are a function of investment—either public or private and if there are no jobs the problem remains.

Mr. MILLS. I do not have any question about functions or realities, but there is nothing in any of the past cases in your district from being assisted. That is the point I am making.

Mr. COHELAN. That is the assurance I wanted. Thank you, Mr. Chairman.

Mr. WHITENER. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I am glad to yield to the gentleman from North Carolina.

Mr. WHITENER. Mr. Chairman, I appreciate the splendid statement of the chairman of the Committee on Ways and Means. But I do not believe the gentleman commented on the changes in existing laws with reference to the definition of disability.

Mr. MILLS. No; and I have not commented on quite a number of provisions, I say to my friend, but I will have in my prepared remarks a comment on them. I did want to yield some time to the Members so that they can discuss some of these points because it would take me more than 3 hours if I wanted to go through the entire bill.

Mr. WHITENER. If the chairman will yield for a unanimous-consent request, I would like to have the unanimous consent that I may be permitted to extend my remarks following the remarks of the gentleman.

Mr. MILLS. Let me say this briefly in response to the gentleman's inquiry. It is necessary for us to rewrite in some respects criteria for determining disability because of the erosion of congressional intent by a number of court cases, where actually in many instances courts have destroyed completely the initial intent that the Congress had. It may be somewhat responsible for the fact that the disability insurance program that initially was estimated to be financed by 0.5 percent of payroll now costs 0.95 percent of payroll. Of course, we have had some statutory changes in the program, but some of this added cost is related to the eroded definition of disability.

We are trying to see to it that our concept of disability continues, but we do not want the courts telling us that a man is disabled when it is not demonstrable, and just because there is not a job available.
Mr. WHITENER. Mr. Chairman, if the gentleman will yield further, from reading the report, page 30, the committee would seem to imply that the testimony by lay witnesses and by the disabled person himself would be given very little consideration.

Mr. MILLS. That is a question for the State medical examiner.

Mr. WHITENER. I think that is different from any other procedure that we have in the law as to the establishment of disability.

Mr. MILLS. It is primarily a question of medical conditions. What is better proof of medical conditions than the determination of a medical man? It has to be demonstrated that he is medically—mentally or physically disabled. This decision is made at the State level. The State vocational rehabilitation service is going to reach conclusions as to the medical condition of these people, based on medically acceptable clinical and diagnostic techniques, who apply for disability insurance.

The vocational rehabilitation service of the gentleman's State says, "You have to get medical testimony to indicate that you are disabled within the requirements of the law." Statements of laymen as to medical condition have no bearing on an individual case. You have to have acceptable medical indications—and that is controlling.

Reliance is also made on medical conditions. It is true, with respect to the Veterans' Administration or any other agency of the Government, I understand, in making payments based on disability. In fact, the vocational rehabilitation service in your State or in my State uses very largely medical criteria which were developed by the Veterans' Administration and other programs in determining when a man does have a disability, so we have done as well as we could in this area.

Mr. WHITENER. I take it then from the gentleman's statement that he contemplates in the future that the reviewing authority—when the appeals council, and the courts will not be in a position to do as they have done in some cases in the past and override the clear and uncontroverted medical testimony?

Mr. MILLS. Oh, no. The Court should not override any decision if there is clear and unmistakable medical testimony indicating disability within the terms of the act. What I do not want the Court to do is to tell us that where there is not one scintilla of medical testimony that a man is disabled, we are going to pay Mr. Jones disability benefits anyway because he is 60 years of age and no longer able to work. This is talking about. I am sure my friend would not want it any other way.

Mr. WHITENER. If the gentleman will yield further?

Mr. MILLS. I yield to the gentleman from North Carolina.

Mr. WHITENER. My files are full of cases in which there is conflicting medical testimony.

Mr. MILLS. Oh, sure, that is often the case.

Mr. WHITENER. Unless you accept lay evidence in connection with medical testimony favorable to the applicant, then you probably could not establish a case.

Mr. MILLS. We are not saying that they cannot do it. We say, "We are going to let you submit all the evidence you or to but you had better have some convincing medical testimony along with it."

Mr. PERKINS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Kentucky.

Mr. PERKINS. Mr. Chairman, we have made some progress in the work experience program under Title V of the Economic Opportunities Act, but if I understand the gentleman's statement correctly, the APFD community training program is administered by the States as the program is presently administered on an individual-case basis. Is that correct?

Mr. MILLS. Section 409 is administered in 12 jurisdictions, as I remember. It is not required in a State. In 15 jurisdictions they now have a section 409 work and training program. It is the section 409, work and training program, that we enacted in 1962 on a voluntary basis, but it is mostly making compulsory upon the State.

Mr. PERKINS. Is it the intention of the committee that the local social service work make the determination as to who is entitled to receive the community work and training program?

Mr. MILLS. That is correct. It is the social worker in the State or local agency who would do it, the Department of Social Services of Wisconsin. Mr. Chairman, I yield myself 10 minutes.

Mr. BYRNES of Wisconsin. Mr. Chairman, I was very pleased to join the chairman of our committee in sponsoring the bill that is now before you. Under his guidance, the committee has worked long and hard in order to bring to the House a bill which gives due consideration to the needs of our elderly citizens and to those who may be so unfortunate as to have to meet the daily living requirements people will be unable to the Congress.

Mr. MILLS. On the experience gained during the experience, there will undoubtedly be other changes in this program.

Third, the bill provides guidelines for the States in defining the medically indigent families with dependent children who no quality for repayment assistance. This will force a gradual cutback in excessively high eligibility standards of medical indigency that have been promulgated by the States. But most important, the bill will prevent the future expansion of these programs beyond the guidelines provided by this legislation.

Fourth, there are far-reaching changes in the benefit programs of the aged and child welfare programs, consolidating related provisions on a more rational basis, expands the foster-care programs, and spells out new requirements which we detect and correct cases of child abuse and neglect.

A social security bill like the one before the House is a fork with two prongs. The first prong increases benefits,社会保险—most of which I agree with, but the other imposes burdens in the form of higher social security taxes, or by placing greater demands on the general funds of the Treasury.

The second prong of the bill involves the increased taxes. Although there has been too much emphasis, I am afraid, in some quarters on the benefits of a social security cut too deeply into the minimum benefit of any loss of purchasing power that they have sustained since the last benefit increase, or will sustain during this Congress. The minimum benefit is increased slightly now will give due recognition to the burden of increasing the general funds of the Treasury.

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those receiving retirement, survivors, disability, and health insurance benefits.

The tax rates and wage rates contained in the bill represent a fundamental change in our personal income tax laws. The committee recognizes these principles in at least three important respects. First, instead of raising the wage base to the unreasonably high level proposed by the administration, the wage base was reduced to $7,600. This lower level would point out, about the same proportion of wages of covered workers as we have had during the more recent history of the old-age and survivors insurance program.

Second, we improved the benefit formula to insure workers at the higher earnings level a fairer return on the contributions they pay. These steps will strengthen the insurance basis of the system, which has been undermined in recent years by overemphasizing the social welfare aspects of the benefit formula. In the current program and insurance system is to be preserved and is not to become another welfare program we must always take into account the extent to which benefits mitigate a placement of the wages subject to tax at all levels of income.

Third, the tax burden—the tax rates applied to the wage base—imposed on the nearly 70 million covered workers and their employers, supporting the system, is far less than would have been required by the legislation recommended by the administration and considered, of course, by the committee during the course of its proceedings.

In addition to the higher wage base provided, a slight increase in tax rates is scheduled in the bill. Combined with the actuarial surplus under present law, these changes are adequate to finance the benefit costs. This is essential if we are to preserve the integrity of the social security system on which so many of our people depend.

The CHAIRMAN. The gentleman from Wisconsin has consumed 10 minutes. Mr. Chairman, I yield myself 5 additional minutes.

While no one likes to pay additional taxes, Mr. Chairman, I personally do not think the benefits contained in this bill are greater than the taxpayers will be willing to pay in order to update the benefits. After all, today's taxpayer is tomorrow's beneficiary. If we in the Congress act sensibly and with restraint, everyone paying taxes today can do so with the knowledge that he is participating in a sound program of social insurance for the good of himself and his dependents.

The committee received many suggestions, both relating to the improvement of procedures under medicaid and relating to the expansion of the services provided for by the program. In view of the fact that the program has been in operation for only 2 years, the committee limited itself to those changes in the program which could be predicated on actual experience to date.

The bill provides improved billing procedures for payments to hospitals and for doctors' services. The committee explored in depth the cost reimbursement formula governing payments to hospitals and extend care facilities. Everyone agreed that these facilities should be fully reimbursed for services rendered to medicare patients, including a reasonable allowance for depreciation and general overhead.

While the present formula for reimbursement is nebulous—by my judgment—must be improved, we really have only fragmentary returns as of this date from the fiscal intermediaries on the final accounting of hospitals during the first year of operation under medicare. Until significant reports on the final accounting of hospitals are available, the extent of any existing inadequacies in the present formula cannot be measured nor remedial measures be prescribed which can be dependable. The Social Security Administration has been directed to provide the committee with this data as soon as it can be compiled in view of the committee's continued interest in the problem of adequate reimbursement of our hospitals.

The committee, however, did recognize that a cost reimbursement formula does not provide any incentive for modernization and improvements which will result in lower costs. The Department has been directed and authorized to experiment with alternative methods of reimbursement in order to develop a method which would provide some incentives in this direction. You will recall that when the medicaid bill was first under consideration I proposed that reimbursement be made on a "reasonable and customary charge basis"—the same basis which we used in reimbursing for physicians' services. That is the system which is used by many private insurers. The Department of Health, Education, and Welfare, however, opposed this on the ground that it would produce higher costs. I doubted that at that time, and I still doubt it. I think sooner or later we are going to have to face up to these problems and the limitations we have not dealt with in this new bill.

As a corollary to the medicaid program, the Congress in 1965 expanded the Kerr-Mills provisions of the Social Security Act to include additional medical assistance for the medically indigent aged to other public assistance categories—the blind, the disabled, and families with dependent children—as well as needy children. This is known as the medicaid or title XIX program. Under this program, the Federal Government and the States share the cost. However, the Congress directed the Department of Health, Education, and Welfare to experiment for providing medical care for those over age 65, relating the States of most of the costs they had borne in providing medical care to the needy aged. Some States applied the resulting savings to expand aid to the medically indigent to include a large proportion of the State's population.

We never intended the title XIX or medicaid program as a program for those who could not reasonably be classified as medically indigent. This bill provides a limitation on the income levels of those to whom the States might extend this aid. For example, the bill provides that the Federal Government will not participate in providing medical services to anyone whose resources exceed 150 percent of the level fixed by the States for cash assistance. Over a period of 9 years, this level is to be increased to 133 1/3 percent.

Thus, the level at which the States can extend medical assistance under the title XIX program will be cut back in some States, and a limit will be placed on those States which are now enacting such programs.

When the bill is fully effective, qualification for medical assistance must be predicated upon a determination, in determining eligibility for cash assistance, and cannot exceed 133 1/3 percent of the level at which the individual or families would be eligible for cash assistance.

Mr. Chairman, there is another area that I would like to briefly discuss. This is the part of the bill amending the welfare provisions—particularly AFDC—which the chairman spent some time in discussing. There seems to be misunderstanding in some quarters about what this committee has done.

As time of the gentleman from Wisconsin has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 4 additional minutes.

Frankly, when the committee reviewed the welfare programs contained in the Social Security Act, we were shocked not only by the current picture, but by the trend of the program of aid to families with dependent children. We thought the welfare legislation we enacted in 1962 would provide the basis for getting these people on their feet and off of the relief rolls. We were shocked to see what little effect legislation actually had. The chairman and I both urged you to support the 1962 legislation because we thought it provided the basis for rehabilitating people, taking them off relief and enabling them to become self-sustaining. We said that that should be our objective. We thought that was what the result would be. There probably has been some good in that picture, but actions taken certainly did not accomplish the goals the committee thought the 1962 legislation would achieve. Therefore, it was essential that we face the problem of welfare today, particularly in the AFDC area—developing a new approach instead of simply passing another law.

It was agreed that this program, humanitarian on its face, tended to produce harmful results both to the individuals receiving aid and to the fabric of our society in general.

In the past 10 years, the number of recipients has more than doubled—from 646,000 families with 2.4 million recipients to 1.2 million families with more than 5 million recipients.

While the length of time a particular family or child might be receiving aid on the average was about 21/2 years, this did not tell the whole story. Those temporarily beset by misfortune, who might be temporary assistance ranging from a period of a few months to less than 1 year, are included in this average with a hard core, representing the second and third generation, which had known no other means of support except welfare. We think there was no incentive for this group to try to overcome their misfortune—
fact, under the present program they might be penalized for doing so.

The bill provides an entirely new approach to the problem. The hard core of those who have grown up under AFDC and who have nothing better to look forward to. Mr. Chairman, the States will be required to evaluate the employment potential of each adult member of an AFDC family, and to develop a plan leading to the employment of that individual. A variety of services, including testing, counseling, and medical services would be provided.

In conjunction with the Federal Government the States will be required to provide programs of job training and work experience so that the parents of dependent children can be returned to the work force, and not be destined to a meager life of dependency on AFDC. This is designed to help these people and is for their own good. It is only when an adult member of the family who is capable and able to accept work or training that is available to him, without good cause, that the States is required to discontinue payments to that parent.

The parent will have to work only in appropriate cases, and the welfare of the child will not be compromised. The parent's efforts to provide for even a parent refuses work or training without good cause.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. BYRNES of Wisconsin asked and was given permission to proceed for 3 additional minutes.

Mr. BYRNES. The gentleman from Wisconsin is recognized for 3 additional minutes.

Mr. BYRNES of Wisconsin. Then, Mr. Chairman, we suggest, that the court should be called in to see that this child is given proper care. If the parents are not providing such proper care, then the courts will find some other method through which to provide that care such as, for instance, a foster home.

Mr. Chairman, in the case of misuse of assistance funds protective payments or voluntary payments can be made to parties for the child's welfare. When the mother of an AFDC family seeks work we provide for the child's welfare by requiring that day care centers be established to care for the children.

Mr. Chairman, I would point out that we move away from the poverty concept of a community work-type program. We say all the States must have a program. It will permit more emphasis on the welfare of the child and less on economic considerations.

The objective will be to get the people off assistance and make them self-sufficient and give them self-sufficiency and self-witness—yes—and to make sure that those who are capable of getting off the rolls and who are capable of working do so or else suffer the consequences.

I would urge all of my colleagues in the House to support the committee in what I think has been a very constructive attempt to deal with some very difficult problems that face us.

The CHAIRMAN. The gentleman from Wisconsin [Mr. BYRNES] has consumed 26 additional minutes.

Mr. KING of California. Mr. Chairman, the intensive study and work of the members of the Ways and Means Committee, under the chairmanship of the distinguished gentleman from Arkansas, is reflected in this important measure. But H.R. 12080, while it is a step in the right direction, does not go far enough to meet the pressing needs of those already on the social security rolls, and the others to come.

If the social security program is to continue to be effective as the primary means of assuring that American workers and their families will have an income, and will not be forced into poverty when the family breadwinner's earnings are cut off because of his retirement, or disability, or death, then social security benefits have to be much higher than they are today. Indeed, benefits have to be raised considerably higher than they are today. Indeed, benefits have to be raised considerably higher than they are today.
in benefit levels proposed in H.R. 12080 will certainly help alleviate the financial plight that many beneficiaries presently face. The purpose for the men, women, and children of the country if it is not kept in tune with the times. It cannot sensibly be left to wage and benefit levels that have stagnated.

But is $7,600 an adequate base? Let us look at the figures. When the program began, about 95 percent of the regularly employed men and women under the program had full coverage of their earnings up to the $3,000 a year ceiling then in effect. The $7,600 figure in the present bill covers the full earnings of only about two-thirds of today's regularly employed men. And this proportion will decline quickly as wages rise. The projection is that once again, by 1974, only about half the regularly employed men would have their full earnings covered under a $7,600 figure.

For these reasons the President has recommended raising the amount, in steps, to $10,800 a year by 1974. That figure would enable more than 80 percent of the Nation's regularly employed men to get social security coverage of their full earnings in 1974, according to the best information.

As I have indicated, I think the $7,600 figure now being proposed represents a good step. It is in the right direction, but a longer step would be a more realistic interest of millions of people. It would enable them to count on much more nearly adequate benefits in retirement and in case of disability, and a much more comfortable level of income protection for their families.

Not only would a substantially higher ceiling improve the relation between earnings levels and benefits amounts for higher paid workers, it would also provide additional income to further improve the adequacy of the program in general. A higher ceiling would make possible the larger benefit increase that the President recommended to us. It would also make possible some of the other improvements that the administration sought—for example, hospital insurance and benefit levels for disabled beneficiaries, upon whom the burden of medical expenses is very great. Later I will discuss the need for this provision further.

Mr. Chairman, I am particularly pleased with the improvements in the medicare program that have been included in the bill. These improvements will help to make the medicare program which I sponsored even more successful than it is today.

H.R. 12080 includes provisions which would extend the protection of health insurance and simplify the administration of the program by providing: first, coverage of additional days of hospital care; second, elimination of the physician certification requirement for the admission to general hospitals; third, an alternative method of billing for physicians' services under the medical insurance program; and fourth, a simplification of the procedures for hospital and pathological services and services to outpatients that would bring medicare procedures more nearly into line with hospital and nonhospital supplementary health insurance payment procedures.

These medicare amendments are very different from what might have been expected 2 years ago when we were considering the original medicare legislation. It would have been impossible then to predict on the basis of some statements made by those who voted to recommit the medicare plan that we would be voting this year on a bill that would extend the protection of health care to all Americans against the threat of high health costs during their retirement years. Medicare has demonstrated the capacity for providing comprehensive, extended care services, home health services, and physicians' services for the patients it was intended to protect.

Moreover, the requirement of conformity with title VI of the Civil Rights Act has meant, in many communities, that minority group members for the first time have access to high quality care. One of the great accomplishments of medicare is the availability to the elderly of insured alternatives to hospital care that enable the physician to select the appropriate method of treatment which is most responsive to the actual needs of the patient. Prior to medicare, insurance covered hospital outpatient services, extended care services, home health services, and physicians' services for the patients it was intended to protect.

There can be no doubt that the program is a whole, as an unqualified success. The elderly can now choose from the best hospitals and not be forced to suffer the indignities and embarrassments of being charity wards. They can effectively protect their health care policy.

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advance of medicare reimbursement. We thought assignments would be accepted because the benefits doctors receive from the program are based on their customary charge. Payment by assignment cannot be more than fair to the doctors usually charges. Furthermore, payment by assignment is the rule for Blue Shield doctors. This is common in other private insurance. However, the latest figures available show only 57 percent of physicians have been willing to accept medicare assignment in all cases. Many older people have had to pay their doctors' bills as a condition for their reimbursement under medicare, and this has placed a genuine hardship on many aged persons who typically are living on limited incomes and cannot afford to put up their money to pay the doctor and later get the money back.

For these reasons, I can lend my wholehearted support to the new alternative billing procedure that is proposed in H.R. 12080. This new procedure would permit the physician to receive medical insurance payments for services rendered to Medicare beneficiaries. The basis of this new procedure, which a Medicare beneficiary will submit his bill to the program and his total charges do not, in fact, exceed the program's allowable charge, the doctor is paid. Furthermore, the doctor usually charges. In addition, the fee for the doctor's services will be more than fair to him. The benefits doctors receive from the program are based on their customary charge and reimbursement cannot be more than fair than to pay on what the doctor usually charges. Furthermore, payment by assignment is the rule for Blue Shield doctors. This is common in other private insurance. However, the latest figures available show only 57 percent of physicians have been willing to accept medicare assignment in all cases. Many older people have had to pay their doctors' bills as a condition for their reimbursement under medicare, and this has placed a genuine hardship on many aged persons who typically are living on limited incomes and cannot afford to put up their money to pay the doctor and later get the money back.

This new procedure will enable physicians to assist their patients by completing and submitting the unpaid bills for payment without requiring the physician to agree ahead of time to accept the medicare charge, as they must under the assignment plan. The new procedure will give doctors an opportunity to discuss the matter with the doctor before the doctor's bill is submitted to the program and his total charges do not, in fact, exceed the program's allowable charge, the doctor is paid. Furthermore, the doctor usually charges. In addition, the fee for the doctor's services will be more than fair to him. The benefits doctors receive from the program are based on their customary charge and reimbursement cannot be more than fair than to pay on what the doctor usually charges. Furthermore, payment by assignment is the rule for Blue Shield doctors. This is common in other private insurance. However, the latest figures available show only 57 percent of physicians have been willing to accept medicare assignment in all cases. Many older people have had to pay their doctors' bills as a condition for their reimbursement under medicare, and this has placed a genuine hardship on many aged persons who typically are living on limited incomes and cannot afford to put up their money to pay the doctor and later get the money back.

I do have a regret about the medicare provisions of the bill, however. I find it very regrettable that the committee did not see fit to include in the bill provisions for extending the protection of the medicare program to the seriously disabled persons on the social security benefit rolls. As President Johnson said in his message to the Congress on January 22, 1967:

The 1.5 million seriously disabled Americans under 65 who received Social Security and Railroad Retirement benefits should be included under Medicare. The typical member of this group is over 50. He finds himself in much the same plight as the elderly. He is dependent on social security benefits to support himself and his family. He is plagued by high medical expenses and poor insurance protection.

A major factor leading to the committee's conclusion that it could not recommend covering the disabled was that it found the cost of such coverage would be high, but the financing of the proposal would raise serious problems. The cost of providing health insurance protection for the disabled would be about two and a half times that of providing the same coverage for the aged, and the cost for the aged is three times that of nondisabled younger persons. The cost for the disabled is then about seven and one-half times that of other people under 65 years of age.

Mr. Chairman, I submit that the very finding of the committee that the cost of extending medicare to social security disability beneficiaries would be high clearly demonstrates that these disabled people have been left without protection, and leads to the inescapable conclusion that they should be covered under medicare now. Adequate private insurance of such coverage must be entirely of their financial reach. I recognize that the Committee on Ways and Means has included in H.R. 12080 a provision under which an advisory council will be appointed next year to study the question of extending medicare to the disabled. This council will submit a report on its study to the Secretary of Health, Education, and Welfare no later than January 1, 1969, which second study will be taken on providing medicare coverage for the disabled until at least 1969. This is too long to wait. We already have overwhelming evidence of the need. Further study will not eliminate the need. The disabled should be covered under the medicare program now, and I hope the other body will take the appropriate steps to provide medicare coverage during this session of the Congress.

I reiterate my support for the bill. I shall, of course, vote for its adoption. But I want to make clear that I hope to vote with even greater enthusiasm for the product of a conference committee a few weeks from now which will provide medicare for the disabled.

Mr. Chairman, I would now like to turn to the other various provisions of the bill relating to benefits for the disabled. It is gratifying that we are for the first time providing benefits for disabled widows. It would be rather unusual of Americans not to agree that benefits for totally disabled widows are a necessary addition to the program.

I must nevertheless express my disappointment that the benefits to be provided is so small. Benefits equal to only 50 percent, or a slightly larger percentage, of the deceased worker's primary insurance amount are clearly inadequate. The disabled widow who relies on social security for her support would be condemned to a life of penury on this small benefit. Moreover, as the reduced widow's benefit is usually less than the average public employee's retirement benefit for a disabled person, the social security benefits will in many cases simply reduce the amount the widow receives from public assistance. The number of those applying for public assistance and who would receive funds to make up the difference would be increased. I urge that the benefits payable to these widows be increased to 82 1/2 percent of the primary insurance amount— the same amount that is payable to other widows.

I regret also our failure to provide any benefit at all for the disabled widow who has not reached age 50. The younger widow was totally dependent on her deceased husband and has completely lost the ability to work is left without any benefits. Her need is at least as great as that of the older disabled widow.

I earnestly hope that the other body, in its consideration of the bill, will seek to establish these promised benefits for disabled widows at a more adequate level and will provide the benefits without regard to whether the totally disabled widow has reached age 50.

Those provisions of the bill that are designed to clarify the definition of disability will include in the law the interpretation of the definition now applied by the Social Security Administration and will provide constructive support to the Administration in continuing to administer the disability provisions in a manner that is in accord with the intent of the statute.

There is no question that there have been proper and legitimate changes in the concept of disability in the social security program over the years. For example, disability benefits for totally disabled children were first provided, the law required, in effect, that an individual be permanently, as well as totally, disabled to be eligible for disability benefits. Under present law, it is required that the individual's disability be expected to last—or has lasted—for 12 months rather than indefinitely. Furthermore, in any program such as this— involving a very substantial number, in substantial gainful activity must be applied—accumulated experience in administering the program will lead to improved methods of documenting and establishing what constitutes the statutory definition. In my judgment, the increasing numbers of persons on the disability rolls is attributable not to any deviation in interpretation of the disability provisions from the intent of the statutory provisions, but rather to such improved methods and to the greater public knowledge that has led greater numbers of disabled people to apply for the benefits they qualify for.

There is, however, a growing body of interpretations by various courts as to the meaning and intent of the law. In my judgment, we are concerned about some of the import interpretations of the definition, which, if they were to be followed generally in the administration of the disability provisions of the law, could have two significant undesirable effects, first, substantial further increases in costs could develop in the future, and second, the program would depart from the basic intent of the disability provisions as envisioned by the Congress.

I want to emphasize that what we are attempting to do to the present definition of disability under H.R. 12080 is really a basic change at all—it clarifies, amplifies, and makes more explicit in the statute the policy guidelines and the requirements that must be met to establish the existence of disability. The language added to the law reflects the regulations and policies now followed in the administration of the disability provisions of the law. It is also my personal feeling—and I am sure this is shared by others of you here—that the Social Security Administration is doing a proper and equitable manner.
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confident that the inclusion of this provision in law will help to avoid future court decisions at variance with the intent of the Congress and prevent possible inadequacies that might result in the social security disability program.

Mr. Chairman, in my opinion, the amendments made by the Committee to the public assistance and Medicaid provisions of this bill should be modified by the other body. The provisions penalize the States like California in their aid to dependent children programs and in their Medicaid programs. I support the views of Members from New York and other States that these provisions in the committee bill are too restrictive.

Mr. Chairman, let me conclude by stating that while it is most unfortunate that the Ways and Means Committee could not incorporate some of the major recommendations made by the President, I shall vote for the bill. It provides a much needed, albeit not large enough, increase in cash benefits; it provides extended improvements in the Medicare program for our senior citizens; and it makes the appropriate financing changes to assure the continuing actuarial soundness of the social security program.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 20 minutes to the gentleman from Missouri [Mr. Curtis].

(Mr. CURTIS asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

(Mr. CURTIS asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Chairman, I support House approval of H.R. 12080, the Social Security Amendments of 1967. I cannot say that I fully agree with every provision of this comprehensive legislation because of its sheer size and scope. Indeed, it took a 201-page report for the Committee on Ways and Means to explain the bill to this House, including changes ranging from major to technical in our social security program, Medicare, our public welfare laws including aid to needy children, and improvement of child health.

On balance, it makes many needed improvements in the laws. And since the rule for debate on this bill prevents further improvement by amendment, I will wholeheartedly vote for it and urge its approval. The members of the committee, and especially the chairman, the gentleman from Arkansas [Mr. Mills] and the ranking minority member, the gentleman from Wisconsin [Mr. Byrnes], fought against the leadership of our friends and those of all our citizens for these improvements.

If I may, Mr. Chairman, I would like to point out a few of the major benefits of this bill—

First, as one who urged a cost-of-living increase in social security benefits last year and again this year, I am pleased that this is one of the provisions in the bill. Actually, the bill provides for an increase of 12 ½ percent in cash benefits for social security recipients, which requires a small increase in payroll taxes of both the employer and the employee.

It is my information that social security cash benefits to date have fallen 7 percent below the cost of living. My own proposal, which I put in bill form this year, was a member of a coalition of co-sponsors, was to increase cash benefits 8 percent to offset inflation and add an automatic cost-of-living clause to raise benefits each time the cost of living has escalated by 3 percent. All this could have been done without an increase in payroll taxes.

Under the provision in H.R. 12080, the maximum benefit of $157 under present law would raise to $189 per month.

Second, as one who, 2 years ago, introduced a bill to permit social security recipients to earn more money on their own without losing all their benefits, I am most pleased with the provision in this bill which does just this. It permits a person to earn $140 per month without affecting his social security benefits.

Third, as one who worked to assure our workers and employers the problems of major illness will be eased somewhat by a provision providing coverage for 120 days of hospitalization instead of the present 90. In addition, a patient would be permitted to cancel his bill directly to the insurance carrier for payment.

Fourth, another improvement is in the welfare portion of the bill, providing work incentives and training for adults in welfare families, even providing child daycare services to make it possible for the adults to train or work.

Surely, Mr. Chairman, the Government fiscal policies of the past, recent past, and fiscal policies of the past, recent and current, have been critical of my own committee as well as the House and where in certain areas I have been critical of my own committee as well as other committees.

I think a study of the hearings conducted by the Ways and Means Committee would reveal a workmanlike job. This is a 207-page bill, which indicates some of the extensiveness of the work involved. I know some of the news media has told the public that the Ways and Means Committee has been doing these months with the social security measure. Well, this is the test of what has been going on. I do regret that during the consideration of a bill on this type that there was not the curiously the part of the news media to find out what was going on. There was nothing secret. This information was available. It was important. We needed to have the people of this country alerted to these issues as they were coming up so that they could contribute their knowledge and wisdom to our deliberations.

Unfortunately, there was not much of this kind of reporting, and so the amazement of the “World of Walter Wonder,” a bill that is an entirely different one from the proposals made by the Johnson administration to the Congress has come forth. This is an entirely different piece of legislation and, as I have said in my supplemental views, an excellent piece of legislation, correcting some of the things that have needed correction for many, many years.

My supplemental views, which appear on page 199 of the report, are as follows:

SUPPLEMENTAL VIEWS OF HON. THOMAS B. CURTIS, OF MISSOURI

I concur with the committee report and recommend the passage of H.R. 12080. Although I have some serious reservations about the changes in the old-age and survivorship portion of the bill which I shall discuss later, the improvements in the welfare sections are extensive and too long delayed. The others went in well-worn care sections, titles XVIII and XIX, are much needed but they are only the beginning of the amendments necessary to try to make systems work. Where the systems are fundamnetally unsound and wide of the mark in attacking the real health problems of the aged and other potentially medically indigent, nonetheless, the innovations should have as fair a test as possible.

The real health problems lie in the area of financing catastrophic illness. They never did lie in financing the routine and less costly illnesses of our people. H.R. 12080 modestly extends the hospital benefits from 60 days to 90 days. This is still hitting at the problem from the wrong end. The cases of catastrophic illness can be seen at all times a year or more of hospital care and
can put even affluent families on relief. These problems are met only in title XIX, the welfare section of the social security law. Our programs should be designed to keep people off welfare.

H.R. 12080 fails to correlate retirement benefits of the social security system that lies behind H.R. 12080 is almost the basic system. It certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. It is certainly true that all taxes have a substantialportion to the basic system. 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August 17, 1967

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guaranteed annual wage and the negative income tax say.

Advancement in our society technologically, and on so, has reached a point where there is no need for certain people in our society. This is a false statement. Automation, although it destroys jobs, creates many more jobs than it destroys, and there is a place in this advancement for everyone: single man, woman or child above 16 to be able to work and earn and to work meaningfully. There is no excuse for taking the negative approach that we have to move to a welfare society, to a hopeless approach for certain of our people.

This is why I say H.R. 12080 is in direct contrast to the speech and the statements of Mr. Califano and to the White House, and is in direct opposition to the theories of those who would advocate a negative income tax or a guaranteed annual wage.

Mr. CURTIS. I yield to the gentleman from Missouri.

Mr. HALL. Mr. Chairman, I appreciate the statement of Mr. Califano from Missouri. I simply want to emphasize his well-made point by a query. Is it not true that in the vocational rehabilitation training programs alone, which reports to the Department of Labor regularly, whether physical restoration, training restoration, or educational training and rehabilitation, a far greater percentage than 50,000 are rehabilitated annually?

Mr. CURTIS. Of course. The gentleman speaks from a depth of knowledge and work in this field. In aid to the blind, which is a part of this social security program, we have many more than that who are working and capable of working.

This whole concept that is being promoted is despicable, in my judgment, and I am opposed to it.

Let me say something about an address by Mr. Gardner, Secretary of Health, Education, and Welfare, on August 15, 1967, which was reported in the press as he went to the Senate, when this bill passes the House, and undo some of this basic philosophy. Because how in the name of heaven are we going to rehabilitate people around this society. It is a very practical and necessary thing, but we have not developed jobs available to people.

Incidentally, when we get back in the House I will ask to put the entire speech of Mr. Gardner in the record, and undo some of this basic philosophy. Already on the floor of the House I see some who have picked up some of the overtones of this speech.

One point disturbs me a little. On page 8 of his speech there is this: The work training projects offer great opportunities in this bill, but like all opportunities they must be exploited with wisdom as well as delusion in the news media. It is nowhere near the kind of attack on this bill one might believe from reading some of the press reports.

For those who would like to examine this quote in context, I am appending Secretary Gardner's entire speech of August 15 at the end of my remarks.

Of course, this is exactly what the committee bill says in essence, and could not agree with more. Who is dragging this red herring across the trail in the debate on this bill, that there is any such committee?

Let me say this, as one who had a great deal to do with the original conception, drafting, and passage of the Manpower Training and Development Act of 1962, which, incidentally, had its origin as a result of hearings in the Ways and Means Committee on unemployment insurance several years before: the discipline in the Manpower Training and Development Act is that one cannot spend Federal money to train unless there is a job in sight. That is the discipline.

There were two requirements in that bill.

One was that the dictionary of occupational titles, which had not been updated since 1949, be updated so that we would know what the nomenclature of jobs available in this dynamic society. Regrettably, when the Department of Labor finally published the updated dictionary in January 1966, it was already out of date. This is how rapidly moving our economy is.

If we cannot have common nomenclature on the skills in existence in our society, how indeed, can we gear our programs of training for jobs in existence?

Now I am leading to something that is sinister. This bill has as a second requirement, that the Department of Labor develop jobs available statistics. This is a concept which has been under consideration in the Joint Economic Committee, the Subcommittee on Economic Statistics, for years, and among many knowledgeable people in this society. It is a very practical and necessary thing, because how in the name of heaven are we going to rehabilitate people in the society. This is a very practical and necessary thing, but we have not developed jobs available statistics.

To this administration, which talks about its great concern for poverty and the problems of welfare in our society, has not developed jobs available statistics.

Because of the dragging of feet in the Department of Labor on this, I was able to get the Joint Economic Committee, Subcommittee on Economic Statistics, to hold hearings on the matter, to find out whether we were wrong, whether this was a practical statistic which could be developed. Did it really have the implications the Subcommittee thought it did for the training programs?

Those hearings were held a year ago. There was only one negative witness, notably the representative of the A.F.L.-C.I.O., who stated they were against it because these statistics might be misused to create the impression that there really was not a serious unemployment problem because there were more jobs available than there were unemployed.

The excuse of the administration, of Secretary Wirtz, was that Congress would not give them the $2 million necessary to develop these statistics. My response was, "Believe me, if this is as needed as I say it is and as others have said it is, do you think that $2 million would stand in the way of this administration, or that this Congress would not grant the $2 million?"

I went to the Republicans on the Subcommittee, the Appropriations Committee to get their assistance to get this through. This support exists. It is the Democrats who block it.

It is a specious argument of Secretary Wirtz, but it demonstrates a sinister thing that is going on in our society. Powerful persons in this administration apparently do not want training programs to work and do not want the very thing that Secretary Gardner says is essential to avoid, "to stir expectations—then we are unable to pay off, and this is destructive to the ends of this program." Indeed, chairman, you talked and send him for 6 months to a vocational education school or have him spend a year or whatever period of time it is to learn a skill only to find out that they would know which kind of a nomenclature of jobs available to people.

What could be more tragic indeed? It is a time not just for the administration to do the training, but to be in a responsible people in the news media to report what I am saying here and which I have said in open public hearings ever since the Manpower Training Act was enacted in 1962. They still will not report this to this people of the country. Why has the Johnson administration failed to develop jobs available statistics?

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. Yes. I yield to the gentleman.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I am so happy to hear it.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

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Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I am so happy to hear it.
ing, when those programs should be geared very closely together. That is the kind of work that needs to be done.

Incidentally, in all of these areas we are not talking about broad problems of money. The administration's way of solving poverty is to throw money at it. We say that the answer is to use our brains. Money is necessary but only if it is properly spent and in well-designed programs.

Mr. PUCINSKI. Will the gentleman yield for one further comment?

Mr. CURTIS. I do want to get on with my statement, but I yield.

Mr. PUCINSKI. The gentleman made a very excellent point, and he will be very happy to learn that President Johnson recommended in his bill now before the committee that private industry be brought into this vocational education program.

Mr. CURTIS. Is not that fine.

Mr. PUCINSKI. And he has widespread support for it.

Mr. CURTIS. We have the Human Investment Act which seeks to encourage the private sector to do even more to get people trained and retrained, but the administration opposes it. Our tax laws impede the training and mobility of labor, yet the administration opposes our efforts to remove these impediments. In addition we have proposed that individuals on OAA and ADC receive assistance toward improving their homes, rather than being removed from their homes. Both of these programs have a negative bias which must be removed. I am unconcerned about the President's rhetoric. What I am concerned about is his action, the CHAIRMAN. The time of the gentleman has expired.

Mr. BETTS. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. CURTIS. I will put my additional points on this bill in at the chairman's request, because I think these points are important. Also, relevant to this discussion is the relationship between job training programs and the minimum wage. I hope to make a statement on this next week.

Mr. PATTEN. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield to the gentleman.

Mr. PATTEN. I am not being facetious, but has any one made any comment about the platform adopted by the Republican Governors in their action plan? It is in this morning's Record. I am not looking for an argument, but I am looking for some help.

Mr. CURTIS. What did they say?

Mr. PATTEN. No. 1, I read here that the Federal Government is not providing the financial resources on a scale commensurate with the dimensions of this problem and in many cases the effectiveness of Federal programs is inhibited by unnecessary inflexibility in their administration. Then, they say the same about the funds. Therefore, I wonder in just what position we find ourselves.

Mr. CURTIS. I shall be happy to comment on that position, because probably each Democrat Governor agrees with it and I cannot disagree more with these gentlemen.

Mr. PATTEN. Oh, well—
The Administration on Aging also strengthened with new functions, will be coordinated with other functions so that it is not left with a lesser role, nor is it an expansion of what we already have in terms of contributions to the handicapped.

And the Rehabilitation Services Administration, with its expanded responsibilities, will be strengthened both in organizing and in the amount of resources available to it.

We have separated at the Federal level programs that were thus far separated in the States. Under the new programs,AFDC mothers will be able to get necessary social security services, which will be strengthened with new functions, will be coordinated with other functions so that it is not left with a lesser role, nor is it an expansion of what we already have in terms of contributions to the handicapped.

We have separated at the Federal level programs that were thus far separated in the States. Under the new programs, AFDC mothers will be able to get necessary social security services, which will be strengthened with new functions, will be coordinated with other functions so that it is not left with a lesser role, nor is it an expansion of what we already have in terms of contributions to the handicapped.

The Social Services Administration will be responsible for developing policies and providing guidance to the States and local agencies on matters of policy and administration.

The Medical Services Administration will be responsible for general oversight of the setting up of medical services provided under title XIX of the Social Security Act—the Medicaid programs.

There will be one commissioner of the new Social Services Administration, with new Service in each of the nine Regions. We believe this will make things easier for you by giving you one channel instead of five.

A word about rehabilitation. I use the word in its broadest sense. By rehabilitation I mean giving people the chance to develop their own resources and to meet the challenge—to develop their own resources and to see if their goals are broader than merely giving people the chance and the challenge to make the most of their talents and their lives and to lead independent and satisfying lives.

Now let me turn to the proposed legislation as it was reported out of the Ways and Means Committee. We see some great opportunities in it. We also see some problems. Therefore, we feel that the program should be developed more slowly and carefully, and that the Department of Health, Education and Welfare should take the lead in developing programs that would be more helpful to you. I am particularly glad, for example, that increased funds have been made available for child care services and for maternal and child health.

There is also, however, a debit side to the proposed legislation from our point of view. We feel that some of it, quite apart from other objections to it which might be made, would have the effect of defeating or weakening the overall purposes of the bill.

The proposed legislation contains provisions that would make it mandatory upon the States to pay full need, as defined by each State itself, to public assistance recipients, and to reprice such standards each year. And I don't need to tell you that most States' definitions of full need are far from generous. I do not believe that the route proposed by the Administration is the best possible one to reach our goal. But it makes vividly clear the massive commitment of resources and talent that will be required no matter which route is chosen.

I have talked mostly about welfare today because this is a critical moment for our public assistance programs. But I am sure that this is a critical moment for all of the programs involved in the reorganization: for all of the children, who could benefit through medical and other services; for all of those, the aged whose lives can be enriched in a more meaningful way through medical and other services; for all of those who need help to be helped toward more independence and satisfying lives.

The vote on the House amendment, the Federal Government's amendment, would be an opportunity to strengthen the support of children whose condition is precisely the same as that of children already being assisted. I hope that this can be encouraged—because we need to encourage—because we need to encourage every support and to encourage even more restrictive eligibility requirements, or else to lower the already inadequate support provided.

I do not believe that children should have to pay for the shortcomings and inequities of the society into which they are born. I do not believe that children should have to pay for the real or supposed sins of their parents. And I believe that this would be shortsighted of a society to produce, by its neglect, a group of future citizens very likely to be unproductive and characterized by bitterness and alienation.

Earlier, I spoke of the new opportunities we have to start to do the job that we know we need to do. But it would be dishonest not to acknowledge the real obstacles we face in trying to do it. Since we don't have all the answers, I won't need to tell you that.

The first and most obvious thing to say is that there are many of the problems encountered by the welfare program will not be solved with the program itself. They are rooted in the fact of poverty and all that goes with it—bad housing, poor schools, economic and social services. There is growing consensus that these quite different functions are not going to be handled by the same people. The new Administration would be responsible for the administration of these provisions that will ensure protection of the rights of the individual. I am deeply concerned that those rights be preserved.

But what really matters is what happens to each family, and for all practical purposes, that will be decided elsewhere, not in Washington. A mother might appear to be a good candidate for work and training on several counts, but if her wages might make it desirable for her to delay entrance into the program. If determination are made to not have any work-training, and if lack of imagination and foresight characterize reaction at the decision level, then we will not achieve the results we desire. How can we encourage individuals and families involved and defeat the purposes of the program, which are to strengthen the family and move it toward independence.

The work-training projects offer great opportunities, but there are many that are likely to be more helpful to you. I am particularly glad, for example, that increased funds have been made available for child care services and for maternal and child health.

There are other provisions of the program that are designed to be more helpful to you. I am particularly glad, for example, that increased funds have been made available for child care services and for maternal and child health.

We feel that some of it, quite apart from other objections to it which might be made, would have the effect of defeating or weakening the overall purposes of the bill.

The Ways and Means Committee rightly places great emphasis on the work-training and the work-training program. The proposed legislation also places great emphasis on the work-training program. That does not mean that we can't take an even more drastic approach. Poverty itself is the enemy, and it will take a good deal more than just changes in the welfare system to conquer it.

But we here today have to work within the intermediate context, with the resources we now have available and within the restrictions placed upon us. We are able to reach only a fraction of the poor—about one-fourth of those in financial need. We are able to reach a much smaller fraction of those who need social and rehabilitation services. The very best that we can do is to make available money and services effectively to those to which we are now able to help. We must be ardent advocates for our current clients. But we must also strive to keep the eyes of the Nation on the 24 million poor Americans who have no financial help; on the 8 million children whose fathers work but yet all year round and still cannot make enough to support their families adequately; on the millions more, poor or not, who need various kinds of help and service to cope responsibly and fully in a complex society.

I said that we have to act within the present context. That does not mean that we cannot look beyond it. The extremely valuable reports made to me by the Advisory Council on Public Welfare, and the report of the Council, will be helpful. But the job remaining to be done. One may or may not believe that the route proposed by the Council is the best possible one to reach our goal. But it makes vividly clear the massive commitment of resources and talent that will be required no matter which route is chosen.
This helps to get people established in work habits and is a tool that can be used very effectively by the various States.

The most is the work-training program—an item of $225 million. This is indeed a landmark development.

Under our bill all States would be required to institute community work and training all along the line.

The training, supervision, and materials program would be financed with 75 percent Federal participation and 25 percent until July 1969, with an estimated increase before July 1972. It would indeed be a cruel hoax to build the pattern of work-life in the welfare house-

I think, Mr. Chairman, one of the major improvements in the existing law is the variety of employers who can provide the work.

Under our bill, work or training can be provided by nonprofit agencies or by private employers in the public interest. I feel that the latter category holds the real potential for the growth and development of these programs. For instance, Federal departments and agencies and agencies of State governments are par-

The able-bodied welfare recipient needs not only education but also the work experience and self-sufficiency. To establish these work habits is a critical step toward success and self-sufficiency.

It is also essential that the welfare recipient receive a meaningful work training experience. "Make work" jobs and degrading assignments will quickly discourage the relief recipient with inadequate background and experience, just as it does the well-qualified appli-

A number of commentators are pessimistic about employment opportunities for welfare recipients after the training period is concluded. It would indeed be a cruel hoax to build the pattern of work-life in the welfare house-

Similar predictions were made in the early sixties that automation would inevitably replace American workers and foster widespread unemployment. Our visible economy proved equal to the challenge. Likewise, our growing economy, and particularly the services sector—can accommodate large numbers of workers with limited skills and work experience at decent wages.

Existing law inadvertently reinforces the inclination of the welfare recipient to remain on the rolls, rather than go to the effort to hold a job. Currently, welfare aid is reduced dollar for dollar for outside earnings, for adults through AFDC. Our committee recognized the importance of providing a work incentive to the individual on relief. Starting July 1, 1969, all States would be required to have an earnings exemption under their AFDC program. The first $30 of earned family income plus one-third of earnings above that amount would be retained by the family before welfare assistance would be reduced.

The imaginative program which our committee has recommended to reduce the number of families on relief must be accompanied by advances in the social work profession. We think this need by authorizing $5 million annually in fiscal years 1969–72 for grants to colleges and universities to upgrade and expand their training in the social workers. Particular emphasis is placed on attracting undergraduates to this worthwhile and rewarding profession.

Other provisions of H.R. 12080 expand Federal payments for foster home care of children. Existing law provides Federal AFDC funds for children in foster homes only if they were recipients of AFDC at the time they were removed from their natural home by a court. Only 9,000 children currently qualify under this limitation. The States may also use part of their Title V child welfare grants for foster home care; however, other demands for these funds have made this source insig-

Our bill liberalizes existing law to en-

Foster home care is often more expen-

Our report encourages State welfare agencies to obtain the best possible en-

In another area of this complex legis-

I would like to call my colleagues' attention to the extension of social security benefits to disabled widows and widowers of covered deceased workers. I recommend greater use of existing AFDC provisions which permit payment to nonneedly relatives who care for an eligible child who has no parents.

In a broader sense we are talking about widows and widowers.
Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio (Mr. Berti). Mr. BETTS. Mr. Chairman, after my distinguished chairmanship and the distinguished ranking minority member have spoken on this bill, I doubt if there is anything I can contribute to it.

The chairman mentioned cooperation he received from the committee in the work on this bill. I am sure if it was not for the leadership of the chairman and the leadership of the ranking minority member, the state of Wisconsin, we would not have had a bill as acceptable as the bill we have here today.

This is a large and complicated bill. With the thought that it might not have been able to fathom all the technicalities and the bigness of it, and running the risk of oversimplifying the situation, I thought I would try to give you an idea of what we could support the bill. There are four which I would like briefly to present to the committee.

In the first place, I think this bill is necessary because we have been living in an era of inflation. As a matter of fact, since the last increase in social security benefits, there has been an increase in cost of living of 9 percent. In the case of some who are so unfortunate as to be living on social security benefits, that, however we look at it, I feel that any reasonable increase in social security benefits is certainly justified.

That is the first reason I think we can find some supporting this.

The second reason is I feel it represents some very reasonable compromises in an area in which certainly there were some extremes. I am referring to all of the letters which I am sure we all received from beneficiaries insisting that social security benefits be increased to the point where they thought they could simply retire and live upon them. That extreme on the other hand, another extreme is represented by letters I received—which I am sure everyone in the House also has received, from young married couples, and from small businessmen who are concerned about the constant increase in the contribution, the payroll taxes that are necessary to support these benefits.

These represent difficult extremes to rationalize. There is the young married couple with a family and home to buy and money to save to send children to college, and the possibility of an increase in cost of living constantly facing them. They find it very difficult to have taken from their payrolls an increasing amount to support the social security system.

Also, the small businessman finds it increasingly difficult to meet the rising cost of operating his business; and also every time that social security is raised, he has to multiply the raise by the number of persons in his employment. I feel that compromise of each extreme on the issue, and I think we compromised that very well when we abandoned the proposal of expanding the base to $10,800, and also by keeping the increase in benefits to 12.5 percent. So the second reason which I think justifies us in supporting the bill is that these two extremes were very wisely compromised.
The third reason has been very comprehensively and adequately dealt with by the chairman and the ranking minority member; that is the manner in which the benefit structure as to raising benefits and making it is absolutely clear that States have to see that there is work training, that there are certain programs for family planning and day care, and other conditions as to living as a general family on a budget.

As I say, this has been gone into very extensively. I believe the fact that the committee took the position on a very difficult and controversial area, to come to grips with a situation that really needed consideration, is certainly a sound reason why we should support the bill.

The fourth general reason I am not sure has been touched upon, but I believe is important in this time of rising expenditures.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. BETTS. Mr. Chairman, although the increase in cost of the social security system in 1968 will be $30 million, and in 1972 will be $146 million, it is well to note that in comparison to the present law the cost of the public welfare program would actually be reduced in the amount of $78 million for the year 1968 and $704.5 million in the year 1972. The overall financial picture of the whole bill is that it represents a saving compared to the present law. In 1968, under the committee bill, that would be $40 million under what it would cost under present law, and in 1972 it would be a saving of $549 million.

As I say, at a time such as this, when we are trying to look for economy in Government, that is certainly a very laudable reason for supporting the bill.

The only reason I mention these points is because the simplified technical bill it might be difficult to find some general reasons for support. Those are the four: because of the benefits are necessary; because the raising withholding taxes have been well compromised; because we have come to grips with a real problem so as public assistance is concerned; and because the bill, as submitted by our committee, represents an overall reduction in cost.

Mr. MILLS. Mr. Chairman, will my friend from Ohio yield?

Mr. BETTS. I am glad to yield to the gentleman.

Mr. MILLS. As my friend from Ohio knows and has pointed out, in the area of social security, where general funds are used, some instances of raising welfare payments in the public welfare and child health provisions for the fiscal year 1972 there will be an actual saving, compared to existing law, of $78 million whereas under H.R. 5710 there would have been an increase of $1,124,500,000 in the cost to the general fund.

Mr. BETTS. I am certainly glad the chairman has called that to the attention of the committee. I do stress the wisdom of the chairman of the committee over the bill as originally submitted.

I submit these four general reasons, which I believe justify support of the bill.

(Mr. BETTS asked and was given permission to revise and extend his remarks.)

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Louisiana (Mr. Breaux).

Mr. BETTS. Mr. Chairman, I am happy to commend and give my strongest support to the recommendations for improvements in the social security system included in H.R. 12086. This bill, which bears the fruit of the many months of work of our esteemed colleagues, the distinguished gentleman from Arkansas and chairman of the Ways and Means Committee, and the distinguished gentleman from Wisconsin and ranking minority member of the committee, as well as the other members of the committee, is one we can support.

In the course of our consideration of this measure I have again been impressed by the seriousness of the role that social security has come to play. And before I comment on the provisions of this bill I would like to take a few minutes to comment on the really impressive development of the social security program.

Some 35 years ago this Nation had not yet even thought of building into its way of life a national institution, a mechanism, for assuring that people who could no longer look for income to earnings from work would have some continuing income. Yet now there has been built into our economic system a country social insurance protection. Coverage is about half of the average monthly earnings under the bill-$633-the benefit for a single person would be $212 and for a married couple $317—just about half of the average monthly earnings under the bill—$633—the benefit for a single person would be $212 and for a married couple $317—just about half of the average monthly earnings under the bill—$633—the benefit for a single person would be $212 and for a married couple $317—just about half of the average monthly earnings under the bill—$633.
First, I would like to point out that the group of young employees who are presently working under the program, those who will enter covered employment and who will contribute to social security protection provided for by the present law have gone into effect, and even those who will pay the highest contributions over a working lifetime because their earnings will be at the highest levels, are factored for social security purposes—all will get retirement, survivors, and disability insurance protection under social security that will be at least worth the value of their contributions.

Some people, who are opposed to the program itself and the basic concepts underlying it, to say nothing of expanding it, have been applying their mathematical talents to calculations which, they say, prove that workers cannot hope to get protection that is worth their social security contributions. The first oversight I have noted in these projections is the presence of the employer contributions which, they say, prove that workers cannot hope to get protection that is worth their social security contributions.

The fact that the worker's family is protected in the event of his retirement, disability, or death, and the fact that the system will provide valuable health insurance protection upon attaining age 65, are both disregarded. No accurate evaluation of the protection the program affords can be made unless all of the protection is taken into account, as the worker is in actuality contributing toward the cost of all of that protection.

I have heard and seen examples showing how a young man who pays the maximum rate of contributions, who does not become disabled, who does not die before reaching retirement age—which would, of course, be at some time in the distant future—who does not retire at age 65, who does not have any dependents—how this man will get social security retirement benefits amounting to less than his contributions. Now, I am interested to know what his future will be—that he will not, say, become disabled or die when he is young and have a wife and children to support? This is somewhat like predicting the future. The increase in the amount of time younger people have spent on fire insurance went for nothing because your house never burned down. That protection had a value to you; you wouldn't have been without it.

Another assumption usually made in criticism of the equity of the program is that the employer contribution is always for the benefit of the particular employee with respect to whose wages it is paid. Contrary to this assumption, the social security program, as in private pension plans, is not made for this purpose and, consequently is not used in this manner. Employer contributions are pooled in the social security trust fund, and the benefits payable merely upon attainment of a given age.

Eliminating the retirement test would increase the cost of the program by $2 billion a year now, and more in future years. Why is this so? Because benefits are not paid under the present system to people under age 72 who continue to work. Examining the retirement test would result in their being paid full-rate benefits.

It is important to bear in mind that most of the additional cost would go to pay benefits to people who are fully employed and earning as much as they ever did. The vast majority of social security beneficiaries would not be helped by such a change. They are unable to work, cannot work, are not subject to the retirement test. Since these people are dependent primarily on their benefits for support, it is of prime importance to establish adequate benefits levels under the program; and the very high cost of eliminating the retirement test would have a strong effect on the program's ability to finance improved levels of benefits.

I would emphasize, however, that the committee's bill will make it possible for social security beneficiaries to earn more than heretofore and still receive their benefits. This advantage is added without excessive cost, or damage to the financial soundness of the system.

The bill also strengthens and improves the disability insurance protection of the social security program. For the first time benefits will be provided for totally disabled widows who are not old enough to get benefits under present law but who have reached age 50. Certainly these people, who by definition are totally unable to work, need benefits as much as widows who had attained age 65 in order to keep down the cost, the benefits payable will be reduced to that at age 50, 50 percent of the worker's benefits will be payable.

The bill also extends the disability protection to totally disabled young workers and their families by reducing the amount of time younger people have worked in order to be eligible for disability benefits. Workers disabled early in life now have not generally had an opportunity to work long enough to get the general program and the benefits payable under the present system.

In considering the pressing needs for improved benefit levels and other improvements in the program provided by the social security program, the committee, I think, is correct in giving more attention to the importance of keeping social security financially sound.

I am particularly pleased that the marked improvements that the bill would make in the future can be achieved without substantially increasing the contributions that covered workers will have to pay.
greater impact and effect upon the economy of this Nation, than any other bill which we will have before us during this session of the Congress.

Mr. Chairman, because it is so far-reaching, there would be a natural tendency for it to create somewhat of a controversy. It is the type of measure on which partisan lines could be very easily drawn.

But as a result of the outstanding leadership on the part of our distinguished chairman, the gentleman from Arkansas (Mr. Mills), and with the help and cooperation of our ranking minority member, and the spirit of teamwork on the part of all the members of the House Committee on Ways and Means, we have been able to bring before the House a bill on which most of the major difficulties have been overcome and a bill which most of us can enthusiastically support.

One sobering thought, however, Mr. Chairman, which we should keep in mind is—and I think it is well worth mentioning by the gentleman from Ohio (Mr. Betts)—that as we think about the benefits that this bill provides we must consider the increase in taxation placed upon the working citizen. This is a factor that I think we have to constantly bear in mind because there are certain increases in this payroll tax which is built into the system and which will continue to be added over the period of years whether or not we make any additional improvements or increase in benefits in the social security system.

Since the benefits provided are somewhat modest, they must be supplemented by other retirement programs in order to provide an adequate level or standard of living for the people on retirement.

There is always an appeal being made to Members of Congress to liberalize further the program and to increase the amount of other earnings that a recipient of social security benefits can receive and still be entitled to social security benefits. Since these appeals are so realistic and since so many recipients of social security need additional income, we have tended to want to support more and more liberalization of the social security benefits which will cause an even greater increase in taxes on the wage earners of this Nation.

This bill, as modest as it actually is, provides for an $88 increase in payroll taxes for the wage earner earning $7,600 a year. That is $88 including the employer's portion and the employee's portion of the payroll taxes. There are earnings that the wage earner could receive if the employers did not have to pay social security tax.

This makes a total tax, the total payroll tax that the employer and employee on the wage earner earning $7,600 a year, $688.30 a year beginning January 1, 1963.

And if we provide for no increase in benefits for the period of years, the ultimate total tax for a wage earner $7,600 a year including the employers portion will be $896.80.

The total Federal income tax of a wage earner who is earning $7,600 a year with a family of four is $267.60.

In other words the payroll tax right now on that wage earner who is earning $7,600 a year is greater than the income tax for a family of four earning the same amount.

So this is not an insignificant matter. We must constantly bear in mind particularly when we have other problems for which solutions are being sought and for which perhaps a payroll tax may be suggested as a form of solution of the problem, similar to the medicare program that was enacted a couple of years ago.

As was pointed out very eloquently by the gentleman from Arkansas (Mr. Mills), the ranking minority member, and the ranking minority member, the committee has done a very fine job in the public welfare area.

There is a cost of $4 4/5 billion involved in the programs we now have and how many Federal programs which are enacted on which there are other programs in existence that could be modified somewhat to serve as well.

I think this will be a good thing for us to do. We do not necessarily have to spend so much money on providing aid to families with dependent children. Significant improvements are also recommended in the medicare program; the title XIX program providing medical assistance for the various public assistance categories; in the categorical public assistance programs themselves; and in the maternal and infant health program, crippled children's program, and child welfare services.

I want to discuss these items in greater detail.

**IMPROVEMENTS IN OASDI**

In recommending an increase in social security benefits of 12 1/2 percent, the committee compensated social security beneficiaries for the inflation that has occurred since the last benefit increase. The raise also will cover the further erosion of benefits that is likely to continue in the near future due to the massive deficit spending of the Federal Government.

Although these benefits are adequate to enable our senior citizens to participate in the growing economic well-being of our society, the committee was successful in holding the tax burden imposed on our working citizens to much more reasonable limits than proposed by the administration's bill. Each employee, working at the maximum earnings base under the administration's bill, would ultimately have been required to pay a tax of $626.40. Under the committee bill, each employee working at the maximum earnings base would ultimately have to pay $484.40—nearly $200 less. Similar comparisons relative to the self-employed show an ultimate contribution under the administration's bill of $626.40 which the committee's proposal will be $626.40—over $200 less.

In view of the administration's recommendations, the committee was at the crossroads concerning the future of the Nation's social security program. If we adopted the administration's recommendations, we would have been largely expanding the social welfare aspects of the program, and further undermining the insurance basis of the program. The committee wisely repudiated this approach. Instead of adopting the administration's recommendations, the committee strengthened the insurance basis of the system by improving the benefit formula to provide a fairer return on the investment of individuals at all wage levels. Additionally, the increase in the maximum benefit, $500, parallels the general benefit increase of 12 1/2 percent, thus devoting more of the resources of the social security system to wage-related benefits, rather than benefits strictly on welfare.

The committee bill also liberalizes the earnings test by increasing the annual earnings social security beneficiaries may realize without losing benefits from $1,500

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to $1,699. This will enable senior citizens who desire or need to maintain some attachment to the work force to earn $140 per month without losing benefits rather than the $125 allowed under present law.

Other amendments to the SSDI system improving the program include: The extension of benefits to disabled widows 50 years of age or older; the promulgation of an improved definition of disability benefits; and the extension of additional wage credits for servicemen, bringing their social security coverage more in line with what they would have acquired if they continued to work in private employment, instead of serving in our Nation’s Armed Forces.

IMPROVEMENTS IN THE HEALTH INSURANCE PROGRAM

Although the experience with the hospital insurance program is generally favorable, a number of constructive improvements can be made. The committee bill does include several constructive provisions correcting shortcomings in the existing law. A real hardship is experienced by those receiving their health insurance through the payroll tax, who are no longer insured if they become disabled before they are covered by the committee bill relates to physician reimbursement. By the committee bill, a physician is bound by the intermediary’s determination of the propriety of his fees and the patient to be reimbursed, and such determination may be subject to appeal. This is demeaning to the physician and may result in the extension of the program pending a full report by the intermediary, which is a complex and time-consuming process.

The recommendation for covering the disabled under medicare had not been adequately studied. Gaps in data relating to the extent of present health insurance coverage of both the presently disabled and those who will become disabled in the future prevented a full understanding of the problem. It is recommended that the type of benefits offered by the program covering the elderly were the most responsive to the needs of the disabled. Additionally, the taxing of medical bills under the Medicare plan, as well as the monthly premiums the disabled and the Government would be required to pay for the medical insurance plan, were higher than those thought applicable when the plan was recommended. In view of these developments, the committee directs that an advisory council be appointed to study the problems of covering the disabled under medicare and to report to the Congress not later than January 1, 1968.

FEDERAL EMPLOYEES

Of particular concern to me, Mr. Chairman, is the problem of retirement and形ration protection that our Federal employees experience when they transfer from private employment to Government service or leave Government service for private employment. A Federal employee does not qualify for survivorship benefits under Federal retirement plans until he has been working for the Federal Government for 5 years. During this interim, the employee may lose coverage under the Social Security Act and be without any protection for a period of time. Cases have been brought to my attention where families have been left nearly destitute due to non-deductible upon the death of a father in this circumstance, even though the father had been previously employed on a nearly continuous basis. The employee’s insurance can be continued, and coverage can be reinstated upon the death of a Federal employee. However, the Federal employee is relieved by governmental programs and may be entitled to Federal employee Health Benefit Act. Additionally, a serious inequity exists in the relationship of the Medicare pro-
specific recognition of the hardship and inequity involved, we cannot rest until these most urgent problems have been resolved.

PUBLIC WELFARE PROVISIONS

Probably the most significant changes in present law contained in this bill relate to the public assistance titles of the social security law, particularly the aid to families with dependent children program under title IV. Present rules tend to perpetuate the dependency of these unfortunate individuals, barely keeping their heads above water while insuring that they never go completely under, but also offering them little hope that things will improve.

The committee bill attempts to alter this situation in several ways. The States will be required to develop a plan for each member of a family receiving AFDC payments. This is designed to place adult members in employment, and to establish family stability. Day care centers will be provided for the children of working mothers. Work and training programs will be offered to these adults to acquire marketable skills. Earnings exemptions will permit these individuals to retain earned wages without a corresponding loss of assistance payments, thus providing an incentive for these individuals to seek employment that may eventually result in their independence.

The committee bill will require the states to make greater efforts to find runaway fathers and require them to support their children. Amendments to the OASDI program are designed to aid families in the area of public welfare while updating and improving the social security program. Probably the most significant changes in present law contained in this bill relate to the problems of child welfare and AFDC.

CONCLUSION

There are other amendments, such as the restrictions on the unwarranted expansion in the medicaid program which I strongly endorse, the liberalization in foster home and the consolidation of the maternal and child health and welfare provisions. These have been explained in some detail by our able chairman, the gentleman from Arkansas (Mr. MILLS), and the ranking minority member, the gentleman from Wisconsin (Mr. Byrnes). When considered with the provisions that I have discussed, they result in significant improvements in the present program and reflect the concentrated efforts of the Ways and Means Committee over several months.

While the bill does not contain everything that each member considers desirable, and may contain some provisions that different members would prefer were omitted, it is nevertheless a bold attempt to deal with pressing problems in the area of public welfare while updating and improving the social security program, as well as the hospital insurance program. I urge all of my colleagues to support this committee in this effort by voting for this legislation.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts (Mr. Burke).

Mr. BURKE of Massachusetts. Mr. Chairman, at the outset, I wish to commenda the distinguished chairman of the House Ways and Means Committee, the gentleman from Arkansas, and also the ranking minority member of the committee, the gentleman from Wisconsin, and all the members of the House Ways and Means Committee who did such a fine job they did and the long hours of deliberation which were put into this bill. Like all legislation of this type, we cannot get everything we want, but if we get enough of it, we have achieved some victory. There are parts of this bill that are very beneficial to the public. I believe possibly the atmosphere might have been created here earlier in this discussion that only regressive steps were taken along the line of problems of AFDC and child welfare. This is not true. There were many steps of liberalization recognized by the House, particularly along the child welfare lines.

Millions and millions of dollars have been added to the child welfare part of the bill. This year, for instance, the appropriation for this program would have been approximately $44 million of Federal contribution to the States, and that has been increased for fiscal year ending June 30, 1968, to $55 million. Next year, that is, the fiscal year that has been $44 million, has been increased to $100 million, and for the year thereafter it will be $110 million. Of course, this represents a large step forward in the child welfare field.

Mr. Chairman, this Nation has always had a special concern for children who, for one reason or another, cannot grow up in a protected environment of happy family life. Many of the most important legislative steps which have been taken in the field of child welfare and AFDC in this country have been undertaken to meet the needs of these children for the best possible substitute for and strengthening of family life which our society can provide for them.

Achieving this goal has never been easy. Many of us here today know of instances where children have been shunted around from one foster home to another throughout their childhood. These children are likely to grow up with a feeling of insecurity which seriously hampers their ability to take responsibility for their own lives. If they become parents, the emotional scars which they have suffered in childhood may be passed on to their own children.

The House Ways and Means Committee worked long and hard to develop provisions which are financially feasible and at the same time will meet the real need and safeguard the most vulnerable children. The amendments they submitted under HR. 1280 do provide for some important improvements in the area of child welfare and child labor, which relates to old-age and survivors insurance benefits. However, in most other respects these amendments are, at best, disappointing.

It is particularly distressing to note how differently the bill deals with two groups of children in our society. To those who are the beneficiaries of survivors insurance, it promises increased benefits. To those who are dependent upon public welfare programs, it threatens increased policies of restriction and coercion.

Mr. MILLS. Mr. Chairman, will the gentleman from Massachusetts yield?

Mr. BURKE of Massachusetts. I yield to the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. I want everyone who is interested in and concerned about the problems of child welfare to know that I have been concerned over a long period of time with the gentleman from Massachusetts for the leadership he has given in this field. If ever a member of the committee made a fight for his viewpoint in executive session, my friend from Massachusetts made it. I congratulate him.

Mr. BURKE of Massachusetts. I thank the chairman of the committee. I might have been a little bit aggressive, but the chairman has been long and sympathetic in respect to this problem, and I congratulate him for his broad views, and for helping us to take this step forward in the field of child welfare.

Mr. MILLS. My friend has convinced all of us.

Mr. BURKE of Massachusetts. Mr. Chairman, the most casual review of this bill will quickly reveal the tenor of the changes which are being suggested for title IV, and to some extent for title XIX. These are regressive and they are primitive. And if enacted will adversely affect the well-being of thousands of children who must depend upon society for sustenance and protection.

There are many provisions which reflect this new tone and direction, but just a few of the most drastic will point to the backward steps we are asked to take. There is, first, the unbelievable proposal that the Federal Government should henceforth withhold its support from those children who represent an increase in the proportionate number represented to dependent children in a State. This provision almost retracts a commitment made 30 years ago to the children of this country, and to say instead that children deprived of parental support can no longer look to the Federal Government for aid.

In my own State, Massachusetts provided for children in such circumstances long before there was a Social Security Act, and I am confident that it will not allow children to suffer for lack of Federal funds. But I cannot believe that this Nation actually intends to abandon those children, who, through no fault of their own find themselves in need.

Second, there is the emphasis on assuring to the maximum extent possible that adults and older children in AFDC families enter the labor market and accept employment so they will become self-sufficient. The original concept of AFDC was to keep families together. Any requirement that a mother enter the labor force would negate this original concept. We too often forget that in many families there is only one parent, a mother, and if she is required to work, the opportunity of preserving a family will necessarily be left to others.

My third concern is the provision which would have Congress restrict its
Mr. MILLS. If the gentleman will yield, I would like to serve notice on all Members of this Congress that I am vehemently opposed to the damage that we are doing by the changes in the AFDC program and were not for provisions contained in these amendments offering relief to our senior citizens and increased appropriations for child welfare, I would not be voting in favor of this measure today.

It is my ardent hope and prayer that in the immediate future this Congress will be free to examine this legislation and will find the time and energy to reverse the damaging and restrictive amendments contained in H.R. 12680. I am in the process of drafting new legislation along these lines, and I encourage every Member of this Congress to join in my efforts and concern for our unprotected children.

Mr. CURTIS. Mr. Chairman, I yield 5 minutes to the gentleman from Montana (Mr. BATTIN).

Mr. BATTIN. Mr. Chairman, I rise in support of H.R. 12680 and, like other members of the committee, wish to express my disapproval of the restrictive amendments of the committee and the ranking Republican who, as I review and calculate the time spent, spent almost 6 months going over the original provisions of H.R. 5710, boiling it down to the bill before us today.

If I could have the attention of the chairman for 1 minute, I would like to say that I want to correct the impression that we are attempting to solve are extremely complex and have been generations in the making. There can be no immediate and simple solution. If we believe otherwise, it is neither credible nor accurate. The increased authorization does represent, however, a significant step in providing funds for child welfare services. It is hoped that as the changes in the AFDC program and we abandon the concept of comparability in medical services as originally mandated in title XIX. This would have the effect of upgrading standards of medical care for children in AFDC families, their caretakers, and the disabled and blind. It is neither credible nor acceptable that a society as wealthy as ours cannot provide comprehensive and high-quality medical services for the most dependent and vulnerable of its members.

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man from Montana called this to the attention of the members of the committee and is largely responsible for this change which was made in the basic law. I think it is a material improvement in this area.

Mr. BATTIN. I thank the chairman. There was also language adopted in the committee report on page 30 dealing with this problem of a person, under the definition of a disabled person, as to when he would be entitled or not entitled to continue on the disabled role. There was some language added at my request, because cases have been called to my attention where people are being taken off the disabled list because the Department of Health, Education, and Welfare had determined that there were jobs in the economy available that they could handle but they would not take them because they were some miles away. To clear that up, what I am asking for now is to see if this is the chairman's understanding. We adopted the language:

It is not intended, however, that a type of job which exists only in very limited numbers or in a very few geographic locations would be considered as existing in the national economy.

Mr. MILLS. I suggest that the gentleman read the remainder of the paragraph, too, because I think it bears on this point.

Mr. BATTIN. I shall continue quoting. While such factors as whether the work could be done in his local area, or whether there was a job opening or whether the work or would not actually be hired may be pertinent in relation to other forms of protection, they may not be used as a basis for finding an individual to be disabled under this definition.

So with regard to some of the questions alluded to earlier, I recall in executive session asking people who are responsible for the administration of the bill as to whether or not that meant any basic change in the rules, and it was my understanding it did not.

Mr. MILLS. This goes back, as my friend from Montana will recall, to a reemphasizing of the original intent which we had in the initial provision providing disability insurance. What we are trying to say here is that we want this type of rule applied uniformly throughout the United States and not in one area in one way and in another area another way, as we have had some evidence leading us to believe the situation had developed.

Mr. BATTIN. This comes about, as I recall it, as a result of two court decisions.

Mr. MILLS. Mr. BATTIN. Two specifically.

Mr. MILLS. But two very definitely wrong decisions, as we recall.

Mr. BATTIN. I thank the chairman of the medical profession of H.R. 12080. I deeply concern, however, with the possible effects of one small but important section of this bill, and I would like to devote a few minutes to an examination of this disturbing section. It is presented under the guise of a new definition of disability. I believe this revised definition to be both unwise and unfair, and it appears that its inclusion has come as a result of many court decisions which were not favorable to the Social Security Administration.

Under section 156, an individual would not be able to receive disability benefits through the Social Security Administration or in any state workmen's compensation scheme if there exists in his local area a type of work for which he can qualify with- available for which he can qualify within the area in which he lives, and yet tell him that some vocational expert believes he can do a job which exists several hundred or several thousand miles away? Are we to force relocation among persons who have worked hard for years and who suddenly find themselves unable to perform the only duties they know? Are we to invite a large migration to the cities under the false mask of opportunity?

If we do, I believe we will be doing a great disservice to the people and to the Nation.

The provisions of section 156 would make location a prime factor in an individual's ability to support his family. This is a large Nation, and much of its strength lies in its diversification. But we have to recognize its size along with its diversity and face the fact that a job which is "available" in the national economy may be unavailable to the great majority of those who seek it. Distance is a factor, and it is particularly important to a man who is having difficulty obtaining the necessities of life and has no resources to fall back on. If we provide anyays, in effect, that distance is not a factor.

Mr. Chairman, approximately 3,800 individuals in the coal mining areas of my district have applied for disability benefits during the past several months. I have met with some unfortunate accidents which have brought into focus through the coal miners are typical of the type of people who will feel the effects of the unwise provision.

Several counties of the Ninth District produce large quantities of coal, and I have thousands of constitutents who are actively engaged in this production. Coal miners will not be the only persons affected by this new definition, but I believe that would create an undue hardship for thousands of honest Americans who feel responsibility to their families and who have a history of diligent labor.

In the past several months, I have been conducting a series of "open door" meetings around the Ninth District of Virginia. I have had the privilege of meeting hundreds of people face to face and discussing their problems and views with them. Many of them are receiving disability benefits, and many others have applications pending for these benefits.

Several counties of the Ninth District produce large quantities of coal, and I have thousands of constituents who are actively engaged in this production. Coal miners will not be the only persons affected by this new definition, but I believe that it would create an undue hardship for thousands of honest Americans who feel responsibility to their families and who have a history of diligent labor.

Of course, the life of a coal miner involves more danger than that of the average worker. A coal miner may be injured in the mines and that there are no jobs available for which he can qualify within the area in which he lives, and yet tell him that some vocational expert believes he can do a job which exists several hundred or several thousand miles away? Are we to force relocation among persons who have worked hard for years and who suddenly find themselves unable to perform the only duties they know? Are we to invite a large migration to the cities under the false mask of opportunity?

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The claimant's present job as a dishwasher is not covered by the Social Security Act and the regulations implementing the Act.

Consistent with that position, the hearing held at Beckley, West Virginia, on September 24, 1959, lasted 34 minutes. At that hearing, the Hearing Examiner said:

"It would appear to the Hearing Examiner that the claimant's residual capacity to engage in substantial gainful activity was not denied because of his work at the Pinecrest Sanitarium as a dishwasher and they apparently considered this as the ability to engage in substantial gainful activity."

We agree with the Hearing Examiner that it is unnecessary to narrate in great detail the medical history of claimant. Only a small part of it will make it crystal clear that but for the question posed by his minimal employment he would unquestionably have been found unable to engage in substantial gainful employment.

WORK HISTORY AND DISABILITIES

Leftwich is now fifty-two years old. Although he has a high school education, his employment has been onerous manual labor in the coal mines, where he suffered two severe back injuries, one in 1951 and another in 1955. In the first accident he suffered fractures of the ribs, and injuries to the lower back. In the later accident he suffered a ruptured disc, which was operated upon soon after.

Since that year, he has suffered from spondylolisthesis. He also has a congenital marked scoliosis of his spine. Flexion of the spine is limited to two-thirds and side bending and extension nil. As of 1966, he was totally disabled from work.

The following is the text of the decision of the Fourth Circuit Court of Appeals rendered on May 1, 1967, by Circuit Judges Craven and Sobeloff and District Judge Harvey:

CAVEN, (circuit Judge). In this unusual social security case, claimant Leftwich was denied disability benefits at the administrative level largely because he has the admirable motivation to insist upon working for the support of his family despite his inability to do so. There is more logic than common sense in such a result, and there is irony not intended, we think, by the Congress. We affirm the decision of the district court, "it should hardly require arithmetical calculation to note that an appellate court gives great weight to its own decisions. "The substantiality of the evidence that supports the Secretary's findings is the Isenstein test.

We have carefully reexamined the record as a whole before deciding that the decision of the Hearing Examiner and the Appeals Council is not supported by substantial evidence. The Hearing Examiner noted in his decision that he has reviewed the medical evidence of record in detail. The claimant's condition had grown progressively worse and that claimant could not stoop, bend, or lift. In a 1964 report, Dr. Raub concluded that the claimant was "quite disabled" and could not return to the mines.

The Hearing Examiner noted in his decision that he had "further commented that under modern screening processes and pre-employment examinations the claimant is barred from securing employment."

Typical of medical opinion in the file is that of Dr. C. W. Stallard, who concluded as of May 12, 1961, "this patient is totally and permanently disabled from work."

In addition to the extremely limiting physical disability, Leftwich suffers from psychoneurotic symptoms which the neurologist described as "unabated." This condition was described as "moderately severe" and sufficient to make him a poor candidate for rehabilitative re-training.

Despite the foregoing, and much more, the Hearing Examiner concluded that the objective medical evidence of record establishes that the claimant has suffered moderate impairments to his musculoskeletal [sic] system which would preclude him from engaging in any work requiring heavy manual labor or lifting, bending, stooping, etc. But the Hearing Examiner also noted that his subjective medical evidence of record establishes that the residuals of the claimant's impairments to his musculoskeletal system would preclude him from engaging in all substantial gainful activity, particularly of a light or moderate character.

I think it apparent that the Hearing Examiner and the Appeals Council accorded too much weight to the objective medical evidence of record.

THE DISHWASHING JOB

Much of the record and the Hearing Examiner's decision is devoted to consideration of claimant's having worked for approximately the past five years as a dishwasher (and other odd jobs requiring light lifting, bending, and pot washing) and to his residuals of the claimant's impairments to his musculoskeletal system. The Hearing Examiner rejected the analogy in these words:

"The Hearing Examiner also invites attention to the fact that the Administration does not believe that the claimant's position was a 'made work' job involving minimal or trifling duties which make little or no demand on the individual and are of little or no utility to his employer or to the operation of a business, and refused to accept the claimant's testimony."

In making this determination, the Hearing Examiner adverted to Hanes v. Celebrezze, 337 F. 2d 209 (4th Cir. 1964), and acknowledged that counsel for claimant urged its similarity to the instant case. The Hearing Examiner rejected the analogy in these words: "The Hearing Examiner also invites attention to the fact that the Administration does not believe that the claimant's position was a 'made work' job involving minimal or trifling duties which make little or no demand on the individual and are of little or no utility to his employer or to the operation of a business, and refused to accept the claimant's testimony." The Hearing Examiner also noted in his decision that he has reviewed the medical evidence of record in detail and that it is unnecessary to narrate in great detail the medical history of claimant. Only a small part of it will make it crystal clear that but for the question posed by his minimal employment he would unquestionably have been found unable to engage in substantial gainful employment.

263 F. 2d at 321, 322 n. 4 (5th Cir. 1954).

I think it apparent that the Hearing Examiner and the Appeals Council accorded too much weight to the objective medical evidence of record.

3T exclusion reads as follows:

"Made work", that is, work involving the performance of minimal or trifling duties which make little or no demand on the individual and are of little or no utility to his employer or to the operation of a business, and...
In Fleming v. Booker, 283 F. 2d 321 (5th Cir. 1960), despite evidence that the claimant averaged five days a week work at a used auto lot for which he was paid $15.00 or $20.00 a week, it was held that, nevertheless, the claimant had established an inability to engage in substantial gainful activity from other areas of the law. According to Judge Riles, speaking for the court, thought it not inappropriate to borrow tests of disability from other areas of the law, he held that the claimant, aged five days a week work at a used auto lot, had established an inability to earn a living.

Mr. MCCORMACK. Mr. Chairman, 32 years ago last Monday, on August 14, Franklin Delano Roosevelt affixed his signature to the Social Security Act, the life line to which we so frequently refer. In reviewing the history of the Social Security Act, was the product of the Committee on Ways and Means under the leadership of that tireless but great chairman of the Committee on Ways and Means, the late Robert L. Doughton, of North Carolina.

Mr. Chairman, the 1935 act was the "keystone in an arch" of security which has gained upon the American people. The history of legislative administration. And, while my Republican colleagues on the Ways and Means Committee in 1935 saw fit to oppose the original bill, and later improvements to it, the status of the claimant in the absence of evidence to the contrary. It cannot be inbugrachianothComt

Mr. Chairman, I congratulate this bipartisan support of the bill by the House today.

Mr. Chairman, I congratulate both of these distinguished gentlemen and the ranking Republican member of the committee, my good friend, the gentleman from Wisconsin [Mr. Byrnes], are supporting this measure. Through the recently revised rules of the House of Representatives, they have jointly introduced the bill which we are now considering.

I commend both of these distinguished gentlemen and for their nonpartisan cooperation.

I also highly commend other members of the Committee on Ways and Means, without regard to party affiliation.

Yes, some members and should remain a nonpartisan piece of legislation. It should remain above party and above politics. It is part and parcel of our national life. It is vitally important to the 23 million persons who receive social security benefits each month. It is important to the 75 million taxpayers who contribute to it. It is essential to the 195 million people living in our Nation because it gives all of us the assurance that when income loss occurs due to retirement, death or disability, there will be some help to those who are covered by the program.

But it is also of great significance to our free enterprise economy. It enables persons to take risks without fear of becoming destitute.

The social security program strengthens our free enterprise economy because it is wage related. It is contributory. It emphasizes thrift and individual responsibility. It is a great American institution and one in which all of us can take great pride.

I congratulate again the chairman and the members of the Committee on Ways and Means for this fine bill which they have brought to us. I know there are some provisions which some Members do not like. I know there are some provisions which can be improved. But that is a matter of legislation and is matter of harmonizing differences in order to make progress.

I have been here long enough to know the other body will also make some changes and those differences will be reconciled in conference.

The final bill will be the distillation of the ablest minds in both Houses. That is our legislative system. It works well, as it will work in the future.

The committee labored long and hard on this bill. The committee held 65 executive sessions and after profound consideration reported the pending bill to the House. Honesty differences of opinion were harmoniously adjusted in a spirit of further progress in this important field which is of such interest and concern to everyone of us.

I am particularly pleased, Mr. Chairman, because, as my distinguished friend, the gentleman from Arkansas, and great chairman of the Committee on Ways and Means who, as the only Member of the House of Representatives who was a member of the Committee on Ways and Means when the original bill, which became the Social Security Act, was drafted and enacted into law some 32 years ago.

It happens also that I was a member of the subcommittee that contributed to and helped to draft the original Social Security Act. I have every confidence that the House of Representatives will pass the pending bill by an overwhelming vote.

Again I congratulate the chairman, the ranking member and all members of the Committee on Ways and Means for the wonderful spirit in which they approached the consideration of this bill, and for the very fine harmonious relationship and adjustments that were made among the members. That is the way progress is made—through reasonable compromise.

I am particularly proud on this occasion, as a Member of the House of Representatives, to make these few remarks in view of the fact that I am the only Member of the House of Representatives who, when the original bill was drafted, was a member of the Committee on Ways and Means.

Mr. WATTS. Mr. Chairman, I yield 5 minutes to the gentlewoman from Michigan [Mrs. Griffiths].

(Mrs. GRIFFITHS asked and was given permission to revise and extend her remarks.)

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from HEW. I think there should be some
tolerance here because HEW does not
live in the same world that the rest of
us are living in.
In HEW one can look at this bill and
tell that in their theory a female human
being is a child, a wife, a mother and
a widow. In HEW women do not work.
Now, I have checked carefully in
American History, Mr. Chairman, not
only does this generation not live
in a world like that, but there has never
been an American generation that lived
in a gingerbread world of HEW.
I would like to give real credit to this
committee for the fact that In this bill
for the first time some survivors of a
woman worker have some rights that
cannot be taken away from them.
One of the most pathetic letters I have
ever received I received from a woman
in Alabama, who told me that she had
a most unusual case. She said:
My husband had been in a mental insti-
tution for 35 years. At the beginning of
each month I have sent him 80 for his
incidents, and 10 for the clothing of
himself and 10 for the clothing of the
baby. But now I am 65 years of age and
I am going to retire. But under Social Security I can't give him 80 for clothing and 10
for medicine. If the tables were reversed, he could give 15 to me automatically.

HEW, of course, approves of this. To
them only men work, in spite of the fact
that one-third of all the poor fam-
ilies in this country are supported by
women.
Now I would like to say a few things
about HEW's idea of welfare. In the
speech in which Mr. Califano re-
marked that the distinguished chair-
man of the committee, the decisions of
the committee were very nearly unan-
imous—Is a great forward step toward
the establishment of Social Security protection for the American people. The
bill provides for the largest percentage
increase in benefits since 1952 and the
largest dollar increase ever approved.
We think the bill will enable us to
be proud of and support wholeheartedly.

The 12½-percent benefit increase for
beneficiaries on the rolls will greatly
increase the ability of the beneficiaries
to get along. It restores much of the pur-
chasing power of the benefits eroded by
higher prices. Average benefits paid
to retired workers and their wives now
on the rolls would be increased from $146 to
$164. Although I would have preferred
a higher increase in minimum bene-
fits, the minimum benefit under this bill
would be increased from $44 to $50 a
month. Under the current minimum
benefits, average would range from $50 to $159.50 for re-
tired workers now on the social security
rolls who began to draw benefits at age 65. In 13 of the 25 states, the benefi-
fit range for those now receiving old-age
benefits is $44 to $142 a month.

The special benefit paid to people aged
72 and over would be increased from $35
to $49 a month for a single person and
from $52.50 to $80 a month for a couple.

For the first time benefits would be
provided for disabled widows and widow-
ers under age 62. I regret to say that
these benefits would be payable in the
year in which the worker died. This provi-
ence was in part of the bill that is paid
had complaints from mar-
ried working women about the in-
adequate protection provided for their
families. That protection is now im-
proved in two ways. First, a child who
would be deemed dependent on his mother
under the same conditions as those under
which the child is deemed dependent on
his father under present law could be
treated as entitled to benefits if at the time
his mother dies, retires, or becomes
disabled. Under present law, each
child would be required to work six
months out of the past 13 calendar quarters
ending with death, retirement or disability—

The answer is that we will never solve
the welfare problem under HEW rules.
We will have to establish the rules and
the need for each one. This bill should
proceed if there are any amendments
that should be made to this bill, it should be
that a widow who is left with children
should be permitted to go to work with-
out losing any social security. It should
be that a woman should be able to give
to her husband social security benefits.
It should be that a man and a wife should
be able to combine their social security
credits and draw on one record. But not
the amendments that HEW is suggesting.
They are not even in the 20th century.
There is no world like the world they
are talking about. In the real world
women work, and they should be
denied the fruits and the rights of their
labor.

Mr. WATTS. Mr. Chairman, I yield
10 minutes to the gentleman from Ohio
[Mr. VANIK].

(Mr. VANIK asked and was given per-
mission to revise and extend his re-
marks.)

Mr. VANIK. Mr. Chairman, I want to
express my support of the provisions of
H.R. 12080—and in particular of the
changes that the bill would make In
the social security program.
In many ways this bill does not go as
far as some of us on the Democratic side
of the House had hoped that It would.
Many of us would have liked to see a
bigger increase in benefits than the
12½ percent. We would have liked to see a
bigger increase in the ceiling on earnings that are
able and creditable toward benefits. And,
we would have liked to see provision
made for health insurance protection for
the disabled.

But the bill as reported by the commit-
tee—and I want to emphasize that
thanks to the leadership and makes
manship of the distinguished chairman
of the committee, the decisions of
the committee were very nearly unan-
imous—is a great forward step toward
the establishment of Social Security protection for the American people. The
bill provides for the largest percentage
increase in benefits since 1952 and the
largest dollar increase ever approved.
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be proud of and support wholeheartedly.

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provided for disabled widows and widow-
ers under age 62. I regret to say that
these benefits would be payable in the
year in which the worker died. This provi-
ences was the subject of a bill which I
introduced earlier along with my dis-
tinguished committee colleague, the
Honorable AL ULLMAN and our distin-
My attention was directed to the need for this provision by an elderly gentleman in my district who held up a critically needed cataract operation waiting for the enactment of medicare. After his operation he had utilized the professional services of a doctor who would not take a medicare assignment. This patient had no resources to advance payment for his doctor's bill. No social agency or financial institution was available to advance his medical expenses. His only alternative was to cash in his burial insurance or to dispose of some of his household goods to pay the doctor's bill. I do not believe it was intended that part B of medicare operate that way. This new provision corrects just this type of situation and permits the patient to submit a bill to the Federal agency, receive that portion from the medicare fund as is justified by his claim and then pay the bill by adding his own contribution. I am told that a number of other changes have been made to improve medicare protection and facilitate administration of the program.

I am pleased to note that while the committee did not find it possible to recommend adding the disabled to the health insurance program, the bill requires the Secretary of Health, Education, and Welfare to establish an advisory council to study the problems relative to including the disabled under the health insurance program, and also any special problems with regard to the costs which would be involved in such coverage. The council is to make its report by January 1, 1969. I am hopeful that the report of the council will lead the way toward the provision of health insurance for the disabled, a change that is sorely needed.

**PUBLIC ASSISTANCE AND WELFARE**

The welfare provisions of the bill emphasize individualized planning for employable people under the AFDC Program with greatly expanded training, work experience, and care facilities. The purpose of this is to substantially expand the number of dependent children who grow up in self-supporting households rather than as recipients of assistance. I certainly am in accord with this objective. However, I think we must be perfectly clear that there are a limited number of training facilities that can provide the kind of training that will result in families, particularly those headed by mothers, becoming self-sufficient. While more can and should be done than is being done at the present time, I am not at all sure that the goal can be achieved at any early date.

Coupled with the planning for employment is a limitation that I believe is most unfortunate. This says flatly to the States that if the number of children with a welfare home picture of a dependent child population of a State, the Federal Government will not participate on behalf of the child or children. This arbitrary cut-off penalizes States that are probably at most acutely felt in the large cities where this type of dependency occurs. If the training and job placements work, then there should be a leveling off and possibly a decline in the number of recipients of aid. In this event, the limitation is unnecessary and would be inoperative.

I applaud the earnings exemptions provisions of this bill. In the State of Ohio and my own city of Cleveland, we have engaged in a highly successful experiment involving the exemption of some earnings. It should be most helpful in the promotion of medical and health services for the country as a whole.

The child health provisions, provisions for emergency assistance, the provisions for alternative forms of payment where families are unable to manage money, increased foster care and child welfare allocations, should help to improve the situation of children. In addition to limiting the liability under the medicaid program—title XIX—many improvements in that program are included.

The public assistance amendments give me considerable concern. It is my understanding that the need for restraining the drain on Federal resources, I do not believe that we can limit our responsibilities to the unfortunate, needy people of America adequate benefits for the effects which provides a dollar limitation. We can estimate the need, we can endeavor to hold down the cost, we can endeavor to train adults capable of work and rehabilitate families but I do not deny help to those who remain among the needy after our best thought out plans.

The increase in overall welfare funding from $4.1 billion to $4.5 billion does not provide any substantial increase in this program. Spiraling costs have increased general expenses by almost 5 percent while drastic increases in the cost of medical and health services account for at least another 5 percent.

I doubt that $4.5 billion in fiscal 1968 will buy as much welfare and health care as the less than $4.1 billion bought in fiscal 1967.

In order to provide adequately for the clear-cut cases of need, local and State administrations will be required to provide the maximum benefits for each category and of self-sufficiency. Under these pressures, there is danger of error which may be regrettable.

The community work and training program will provide a challenging approach in directing dependent Americans toward job-responsibility and independence from the need for public support. It is my fervent hope that this program will be entirely free from any form of discrimination. I hope that the legislative history we make today makes that point abundantly clear so that there is no risk of misinterpretation at the local level.

In my opinion, the added cost of the community work and training program will limit its size. This program will not be financially capable of accommodating all the additional recipients on welfare rolls who would prefer work over public assistance. This fact will be proven by the success of this program.

In this public assistance program, the attempt to limit Federal expenditures to present levels has dangerous implications. There is very little likelihood that this legislation will provide higher welfare standards and very much likelihood that they will be reduced by increased burdens on local governments. I hope that the increased burdens on local governments will not reach a point of intolerable. Our welfare costs are indeed burdensome but Americans at all levels of government must never overlook legitimate needs of children and adults who are the responsibility in their custody. Although our Nation is heavily in debt, it is not quite that poor.

Mr. MILLIS. Mr. Chairman, I yield 13 minutes to the gentleman from New York [Mr. Gilbert].

(Mr. GILBERT asked and was given permission to revise and extend his remarks.)

Mr. GILBERT. Mr. Chairman, first may I congratulate the very distinguished chairman of the Ways and Means Committee, my chairman, the gentleman from Arkansas [Mr. Mills], and the members of the Ways and Means Committee. In particular, I am familiar with the situation in my own State, New York [Mr. Byrnes], and all the members of the Ways and Means Committee for the many hours of deliberation and time and energy that they devoted to the bill before us today.

Mr. Chairman, I am supporting the bill before us today, because it represents an improvement in living standards for thousands of Americans. But I cannot conceal my disappointment at the scope of the bill, which I believe does not reflect an adequate awareness of the needs of those members of our society whose resources are fewest. I proposed an across-the-board increase in retirement benefits of 50 percent, which would bring the living standards of most recipients of social security no higher than a decent minimum. The administration proposed 15 percent, a disappointing figure. The committee voted only 12.5 percent, which I regard as clearly insufficient.

The minimum old-age disability benefit was raised, you will note, from $44 to only $50, which does not offer even a subsistence level of existence. I believe that the aged and women on welfare, who spend their lives as productive citizens, hard at work, deserve a better retirement than we are providing for them in this legislation.

But, Mr. Chairman, I would like to concentrate my attention on two specific provisions of this bill to which I vigorously dissent. They are the new standards that narrow the implementation of these provisions of the program as a whole, and the new limitations on the matching payments that States may receive for the operation of aid to families with dependent children—AFDC—programs. Both take funding away in a manner which I regard as inequitable and to ends which I believe are shortsighted.

With the new standards for medicaid, I think, creates the unfortunate precedent of default by the Federal Government on a commitment to the States. I am familiar with the situation in my own State, New York, where similar patterns have occurred elsewhere. The States have devised and put into effect...
medical programs based on legislation passed in 1965 and which they had every reason to believe would remain unchanged. The legislation contained a Federal program under which the States acted in good faith on that commitment. Under the amendment included in the current legislation, the Federal Government would be backing out of the obligation. Ironically, it takes that action not because the program in question has been a failure but because it has been a success. It has helped those who have been desperate and has cost more than originally anticipated. No reason, I think, could be less justified for reducing the program's scope.

I believe, furthermore, that this amendment is a serious mistake because it penalizes productive members of the community. By setting arbitrary income limits for eligibility, it cuts off families who work but who lack sufficient income to pay for medical expenses. It will not, in most instances, penalize welfare recipients, but only those who are struggling by the sweat of their own brow to make ends meet. I need not emphasize that the amendment will deprive children of the care they need, and in recent years, have acquired under this program. The decision to reduce the scope of the program is, in my view, an inadvisable one.

I am gratified that the committee has agreed to achieve its goal of establishing eligibility on a three-step basis. But even the first step will reduce eligibility for families and individuals by substantial amounts. It appears that thousands of self-supporting, self-respecting families will now have to go on the welfare rolls for medical assistance.

I object, furthermore, to this amendment because it penalizes the State of New York more than any other. New York has, throughout recent history, been a pioneer in social welfare legislation. It has had in effect a program of this type back to 1929. Its program is the best in the country. Under the standards established in this amendment, thousands of New Yorkers will be stricken from the eligibility rolls.

New York is also hit hard by the new limitation on aid to the States under the AFDC program. But like the Medicaid standards, New York is not alone in paying the penalty. Hardest hit are the States with the most effective programs, the programs that bring assistance to the greatest number of needy people. The States that most need Federal help show the most concern about their underprivileged citizens. I deeply believe that we take the wrong approach when we take funds away from the States that are meeting their responsibilities to the poor, while asking no sacrifice of the others.

The AFDC amendments provide that no State shall receive funds for a greater percentage of children in the category where one parent is absent from home than was received in January 1967. According to the committee's example, the State of South Carolina would lose 69 percent of its minor children on AFDC in January 1967, the State would not get Federal matching payments, for this group of children, in excess of 3 percent of the population under 21 years of age in 1968 or in later years. I understand the motivation for this provision, but I do not quarrel with it. It seeks to get welfare recipients off the dole and into productive work. It seeks to stimulate the States to devise practical programs for diminishing the public assistance rolls. But this is only one of several requirements designed to achieve that end—job counseling, family planning, child protection, mental health, and programs for others. The new AFDC limitation, however, is discriminatory and, furthermore, it is dangerous.

Let me explain why.

We all know that our major industrial cities are magnets for the rural poor of the South and Puerto Rico. These people are driven off the land, which no longer supports them, and they are looking for a new life in the cities. Unfortunately, they are poorly prepared for the job demands and they find. Without support from their own, they often are unable to support themselves. The cities cannot let them starve. The only answer is welfare, of which AFDC is a major program.

The press recently reported that studies by Federal bureaus have disclosed that this urban migration will continue at an undiminished rate at least for another decade. These studies suggest that the burdens on the cities will continue to get heavier, whatever the cities may try to do to lighten them. This migration means that more people will have to be fed, no matter how many are put to work by other commendable programs. Let it be noted that the States from which these people migrate are doing little or nothing to create the necessary conditions to keep them. The cities to which they move have thus no choice but to shelter them.

Thus this provision discriminates severely against the cities against New York and Detroit and Chicago and Newark and Cleveland. These cities cannot hold back the tide. It is inevitable that the flow continue indefinitely, over the slums and the slumboorhoods where the chances of poverty are already greatest. Meanwhile, the States from which these poor unfortunate depart are not penalized at all, because the percentage of those on welfare decreases. The imbalance of justice in this situation is grievous. The potential is explosive.

I feel that this is a particularly important moment for the enactment of these amendments to the Social Security Act. It is important because we are seeking to persuade the less fortunate segment of our Nation to take courage. These amendments will break the hearts of thousands who are decent citizens but who are not the successful members of our society. They will, furthermore, place new and undeserved burdens on those States that can least afford them. It simply is not right for this Congress to penalize the conscientious States, while exempting those States for doing nothing. In view of the domestic turmoil through which this Nation is now suffering, I believe it is unwise to disable those States that are doing the most to eliminate the sources of discord and those people who live perilously at the margins of our economy, our home, and our society. We are fighting a war but let us not deceive ourselves when we pass amendments like these. We are making the war pay for the war. We are attempting—in many of the President's programs—to establish a stake in our society for the poor, yet we snatch away from them the hope of a better future. We are attempting to give them a chance to meet. I need not emphasize that the Federal Government would be backing out of its obligation to these people. The imbalance of justice in this situation is grievous. The potential is explosive.

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As I pointed out in the debate on the rule, my State will be hard hit by the medicaid provisions of this bill.

Nevertheless, as the distinguished gentleman has noted, overall, this is a bill which we have no alternative but to support.

Mr. GILBERT. I thank my distinguished colleague, the gentleman from New York. Mr. HANLEY. Mr. Chairman, will the gentleman yield?

Mr. GILBERT. I yield to the gentleman from Texas.

(Mr. HANLEY asked and was given permission to revise and extend his remarks.)

Mr. HANLEY. Mr. Chairman, I rise to join with my colleagues in support of H.R. 12080, the Social Security Amendments of 1967. The great Committee on Ways and Means is to be congratulated for the outstanding effort which has gone into the preparation of this legislation. The bill deserves the support of all of us.

I would like to use the time allotted to me to comment on the changes which the committee has proposed for the title XIX program of medical assistance for the needy. Basically, title XIX authorizes a Federal-State-local program designed to assist low-income persons unable to pay for costs of medical care. All of us realize the importance of medical care, and it was right and just that we attempt to make medical care available to those whose incomes precluded it.

There were basic flaws in the title XIX legislation which we approved in 1965, and it did not take some of the States long to make these absolutely apparent. The State of New York, a portion of which I am privileged to represent, moved swiftly to show us the error of our ways. New York used title XIX to create a medical assistance program designed to provide a substantial portion of the adult working population of moderate income with an absolutely free, absolutely complete, credit card for any and all medical or hospital costs. New York's program was off and running in July of 1966, and the results have been disastrous. I am very concerned about the costs of this program to the citizens of New York as they pay their taxes at the Federal, State, and local level.

Mr. Chairman, our best understanding of the impact of this program comes when we realize what it is doing on the counties level. In New York, Onondaga County, which comprises my congressional district, found it necessary to borrow $7.9 million just to cover the first year costs of medicaid. This $7.9 million represents a 30-per cent increase in the county's public assistance budget.

New York's counties are now in the process of preparing budgets for the coming year. The Onondaga County welfare commissioner is requesting a budget of $40.7 million, about $9 million over this year's budget. This $40.7 million for welfare represents a figure that is more than the entire county budget 4 years ago. The county's property owners are faced with the possibility of a tax increase amounting to $9 per $1,000 simply to cover the costs of the welfare budget.

Since late spring of 1966, I have been urging Federal action to place limits on the power of the States to set income eligibility standards for the medicaid program. I had also hoped that the committee would have seen fit to mandate the States to provide reasonable and effective deductibility clauses in their programs. At any rate, the committee has recommended cutoff points for Federal matching funds under title XIX. By 1972, when the Federal matching limits are fully operative, our responsibility to the U.S. Treasury, at least in this regard, will have been fulfilled.

The committee, wisely, I believe, chose to set up a cutoff limit above which Federal financial matching would no longer be available. Such an action leaves squarely in the hands of each State the responsibility for proposing its own treatment. With this provision, it will be completely clear to all of the citizens of the States who is really responsible for gigantic welfare budgets.

If I am any judge of the sentiments of the people of New York, the people of the city and the county that I represent, I can assure you that New York wants this medical assistance program scaled down. They want a program they can afford to support. They want a program that is disciplined, one that is aimed at providing medical aid to those who are truly in need.

Mr. Chairman, I congratulate the Ways and Means Committee on the work it has done to place limitations on title XIX, and urge the committee, respectfully, to continue its interest in this program with a view toward making it a more reasonable and more meaningful response to the problems of the medically needy.

Mr. CURTIS. Mr. Chairman, I yield 5 minutes to the gentleman from Texas.

(Mr. BUSH asked and was given permission to revise and extend his remarks.)

Mr. BUSH. Mr. Chairman, the Committee on Ways and Means has spent months in careful consideration of all aspects of the social security and public welfare bill, as well as child health programs. The bill which has been reported out by the committee reflects our arduous labor on these matters.

Mr. Chairman, I certainly will enthusiastically vote for this bill.

However, I would like to call the attention of my colleagues to one area in which I have a particular interest, because I think this area will have an important impact upon poverty and dependency and will do much to strengthen the individual family. I am referring, Mr. Chairman, to family planning.

Mr. Chairman, great advances have been made in family planning and to be more specific and to be more blunt about it, in birth control.

One cannot help but be alarmed when he looks at the world population growth figures. Similarly, one cannot help but be alarmed at the ignorance about family planning among many people in this country.
Mr. Chairman, science has now made great strides—we now have the IUD and the pill. Further dramatic scientific improvements lie ahead. These advances offer a partial solution to the world population problem and certainly a partial solution to the problem of domestic poverty.

Mr. Chairman, I was pleased to see the Committee on Ways and Means give consideration to family planning, but this is only a beginning. This bill comes to grips with family planning in two principal ways: I. I. To add upon a voluntary approach.

First, we are making it a requirement that all States offer family planning services, voluntarily, and it is up to families to decide whether to accept it or not. Particularly family planning services to mothers receiving assistance payments and, secondly, we have added an authorization for maternal and child health service.

Mr. Chairman, when the Salk vaccine for polio was discovered, massive programs were instituted to distribute it. In the voluntary programs of education and making available, on a voluntary basis, family planning devices will do much to solve the problem of poverty and will do much to reduce the cost to the aid for dependent children program.

I am happy that the committee did come to grips with the problem.

I understand the sensitivity in this area and I certainly understand the objections of some Members who went along with the committee results. I understand their desire and their adamant demand even for making these programs voluntary. But I think it is time that this country took a good look at this whole area of family planning because herein lies a true, demonstrated answer to many of the problems of poverty that face us not only in this country but around the world.

I would like now to spell out in more detail my views on this subject:

A year ago last January the Secretary of Health, Education, and Welfare, John W. Gardner, established a sound and progressively progressive policy on family planning.

The Secretary said at that time: The objectives of the departmental policy are to improve the health of the people, to strengthen the integrity of the family, and to provide families the freedom of choice to determine the spacing of their children and the size of their families.

I commend Secretary Gardner on his leadership.

This forward looking policy was timely, indeed, Mr. Chairman, but its extension to health and welfare programs has not, in my opinion, gone far enough. It has been estimated that about 5 million low-income families want family planning services—but only about 700,000 of these women now receive them through public and private services. This neglect is reflected in the infant mortality rates, which are much higher than they could be, and in the increasing rate of dependency on public assistance.

It is not yet too late, Mr. Chairman. There are many things this Congress can do to support the extension of family planning services. I am happy that the Ways and Means Committee has incorporated some of my suggestions on family planning in the Social Security Amendments of 1967. I would like to review them with you.

First, we are making it a requirement that all States offer family planning services to mothers receiving assistance payments. Testimony before the Ways and Means Committee stated that twice as many mothers availed themselves of family planning services when the services were directly offered them instead of merely provided on request. I want to emphasize that these services be guaranteed freedom to accept or refuse the services in accordance with the dictates of their conscience. But projects to date show that a great majority of women from low-income areas are eager to accept family planning services when they are offered.

Second, we have increased and consolidated the authorizations for maternal and child health services. These programs have furnished the major vehicle to date in providing Federal support for family planning services.

Under existing law, formula grants are allotted to States to extend and improve health services to mothers and children. As a result of the rapidly growing interest in family planning, an increasing number of State and local health departments are beginning to provide family planning services under this program.

One year ago more than 40 States provided these services. The number of State and local health departments is only 13. The bill reported by the Ways and Means Committee would increase funds to permit further needed expansion of family planning services. Though we have not earmarked funds specifically for that purpose, it is my hope and understanding that the States will be vigorously encouraged to expand their efforts in this area.

Another major source of Federal funds for family planning has been the maternity and infant care project grants program. This program was designed to provide comprehensive maternity care for women who are unlikely to receive necessary health care because they are from families with low incomes. In addition to medical care for the mother up to the time of delivery, health care, including family planning, is also provided following child birth. These projects are making family planning services available to an increasing number of women in low-income families who have never before had access to these services. In the New York City project, 90 percent of the mothers referred for family planning services accepted family planning.

The social security amendments as reported provide a $5 million increase for this program in the current fiscal year—an increase that is badly needed.

Over the following 4 years, the bill provides substantial increases in the authorization for these programs. The Ways and Means Committee expects that at least $15 million of this increase will be directed toward family planning services. Under Secretary of Health, Education, and Welfare has assured me that these amounts will enable us to provide services to many additional low-income mothers who want and need them.

Mr. Chairman, last month Under Secretary Cohen made an excellent speech on family planning. In it he said: I am confident that as family planning information is made more readily available to those who desire it, infant mortality rates will be drastically reduced.

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Mr. Chairman, last month Under Secretary Cohen made an excellent speech on family planning. In it he said: I am confident that as family planning information is made more readily available to those who desire it, infant mortality rates will be drastically reduced. Responsiveness is a crucial factor in today's world.
I understand that the earnings limitation was put into the social security law in the 1930's in order to take people out of the labor market. This was during a great depression when millions were out of work. Today, we have jobs. This is not the case today. While there is substantial unemployment in the country today, there are over three million jobs for the aged, which are going unfilled. Many of our elderly are eager and able to fill these vacancies. I know that the members of the committee considered the cost to the fund resulting from this change as an important factor. I wonder if the committee considered that these persons would be paying substantial income taxes if they were allowed to earn all that they desired without losing social security benefits? I wonder if the committee also considered that many of these people would leave larger estates, paying inheritance taxes as well.

I believe the figures I quoted were based upon many social security regulations, many social security regulations, which have long concerned me—that of the earnings limitation was put into the social security law. After all, the "tax eater" from the social security fund would be "taxpayers" to the general revenues. I shall support the bill but I shall continue my efforts to improve the provisions.

Mr. BUSH. In reply to the gentleman I would answer that there was some sentiment in the committee for this, but the prevailing factor, I am sure, in consideration of removing the ceiling was cost, and the figure for removing it entirely amounted to something like $2 billion. I think we were concerned about the tax increase. But the gentleman has a good point. The future fund's social security account will be. This took into consideration, I am told, the additional earnings that would be forthcoming and the taxes that would be received. But it was strictly a question of cost.

We were trying to keep the tax increase to a very minimum amount in the light of other tax increases. I thank the gentleman.

Mr. MESKILL. If the gentleman will yield for one more question; did the committee also take into consideration the fact that if a person were allowed to work as long as he was physically able and to earn more money, that he would probably leave a greater estate, and there would be a greater estate tax paid?

Mr. BUSH. I am sure the committee took that into consideration, but I believe the figure I quoted was based upon the work and the additional cost.

Mr. MESKILL. I thank the gentleman.

Mr. CURTIS. Mr. Chairman, I yield to the gentleman from New York such time as he may require.

Mr. HALPERN. Mr. Chairman, I rise in support of this bill, although I regret its liberalization of existing law falls short in many areas of today's realities. It is a privilege for me to take the floor today in support of behalf of the 15 million people who will be affected by what we decide here today. Social security has been the answer to today's needs of our senior citizens. A stronger, more effective proposal is sorely needed.

I have introduced such a bill, H.R. 12327, and I regret that, under the closed rule which governs debate on the bill before this House today, I cannot mandate this 15-percent increase, which has long concerned me—that of the earnings limitation was put into the social security law. After all, the "tax eater" from the social security fund would be "taxpayers" to the general revenues. I shall support the bill but I shall continue my efforts to improve the provisions.

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Mr. MESKILL. I thank the gentleman.

Mr. CURTIS. Mr. Chairman, I yield to the gentle-
excludes a provision which severely limits the income level for participation in the medicare program.

Section 220 provides that the income level for participation in the program cannot be higher than $135.5 percent of the Federal poverty level. This would also affect dependent children programs. This ceiling will go into effect on January 1, 1967.

New York State now bases its eligibility requirement on the 1965 medicare provisions. As a result, New York has provided many people with aid which they will not be qualified to receive under the new ceiling. This provision, if enacted, would have a dire and adverse effect on the citizens of New York.

New York State has always manifested a great concern for assuring needed medical care to its residents. This concern is in keeping with New York State's historical humanitarian social outlook.

The present estimates for the cost of medicaid in New York State for the current fiscal year are: Federal share, $120 million; State's share, $115 million, and local share, $155 million.

The cost projections for the next fiscal year are: Federal share, $227 million; State share, $210 million, and local share, $210 million.

These funds assure all families and individuals who cannot afford needed care of receiving necessary medical attention without fear of financial ruin and tragedy that often occurs with serious illness. The effect of a cut in funds cannot be measured in money alone, but must also be measured in increased human suffering.

New York State and its citizens have relished in good faith on the 1965 provisions. If the proposed amendment is enacted, this body will be responsible for the dashed hopes of many financially pressed people. Six million New York State residents now benefit from medicaid. All of the proposed ceiling on Federal participation would go into law, at least 10 percent of them—600,000 people—who are now receiving aid will be confronted with the loss of benefits.

This provision would mean losses of Federal aid to New York State of at least $29 million the first year, $40 million the second year, and $50 million the third year. From the present estimates and cost projection figures I have cited, it becomes obvious that New York State would not only be prevented from expanding its program, but the current funds would be decreased. This situation would come from the House Ways and Means Committee, we are operating under a closed rule. We can offer no amendments. Therefore, we must weigh the good proposals against what we believe to be the bad.

On balance it is apparent that a number of necessary changes and improvements in the social security program including an across-the-board increase in monthly benefits. As has been the practice for most bills which come from the House Ways and Means Committee, we are operating under a closed rule. We can offer no amendments. Therefore, we must weigh the good proposals against what we believe to be the bad.

I shall vote for this bill. We have no other choice. But the effort to broaden and increase benefits and improve present law, would not only be prevented from ex-

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adequate sufficient to support disbursements

ability insurance program to remain actuarially sound—meaning that estimated future income and interest will not be subject to Federal taxes.

This legislation does not require any increase in social security taxes this year. The committee has recommended and this bill provides for increasing the taxable base from $6,600 to $7,600 in 1968 but there will be no increase in the tax rate until 1969.

We are assured that the proposed schedule of financing will make the old age and survivors system self-sustaining and adequate in the years immediately ahead and beyond. This is a time to stop wasting the taxpayers' money. I first introduced such legislation early in 1968 and I am happy to say that over 110 Republican Members of this House have sponsored similar bills.

I am glad to see that Congress does not intend to cooperate in the President's unfortunate attempt to boost the social security tax base to $11,000, while raising the social security tax rate—shared by employer and employee—to 11.8 percent. It looks to me as if the President is tax happy. One minute he wants to tax one thing and, the next minute he wants to tax something else. In my opinion, the President's social security tax plan—which would boost the average worker's annual social security to $400—are tantamount to a sec-

We are continuing to liberalize in this bill the amount of earnings which a social security recipient, under age 72, can receive without loss of benefits. This measure increases that amount from $1,500 to $1,600 a year or from $25 to $40 a month the amount such a bene-

I shall vote for this bill. We have no other choice. But the effort to broaden and improve our Social Security and Health Care Acts must go on relentlessly.

Mr. CURTIS. Mr. Chairman, I yield to the gentleman from Kansas such time as he requires.

(Mr. SHRIVER asked and was given permission to revise and extend his remarks.)

Mr. SHRIVER. Mr. Chairman, I rise in support of H.R. 12080 which provides for a number of changes in the social security program including an across-the-board increase in monthly benefits. As has been the practice for most bills which come from the House Ways and Means Committee, we are operating under a closed rule. We can offer no amendments. Therefore, we must weigh the good proposals against what we believe to be the bad.

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The committee has acted responsibly in providing for an across-the-board 12.5 percent increase in old-age, survivors' and disability insurance programs. Needless to say, senior citizens across the country have been hard hit by rising costs and inflation. They are finding it increasingly difficult to maintain their standard of living.

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I am glad to see that Congress does not intend to cooperate in the President's unfortunate attempt to boost the social security tax base to $11,000, while raising the social security tax rate—shared by employer and employee—to 11.8 percent. It looks to me as if the President is tax happy. One minute he wants to tax one thing and, the next minute he wants to tax something else. In my opinion, the President's social security tax plan—which would boost the average worker's annual social security to $400—are tantamount to a second income tax hike. Fortunately, this House has refused to go along with this. For my part, I do not see why social security benefits cannot be increased by resort to the Treasury instead of imposing further taxes on the workingman. Look at all the fat we have in the present Government budget: $2 billion worth of the so-called antipoverty program which we have seen is nothing but a bank roll for rioters; $4 billion for direct and indirect foreign aid; several billions of dollars for the "man in the moon" and of course, $20 billion a year for the misjudged, Vietnam managed no-win war the Johnson administration is fighting in Vietnam. These four programs involve about $30 billion a year which is now doing our country little or no good. So, I say that this is not the time to raise taxes, social security or otherwise. This is a time to stop wasting the taxpayers' money.

Mr. CURTIS. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. FINO].

(Mr. FINO asked and was given permission to revise and extend his remarks.)

Mr. FINO. Mr. Chairman, on numerous occasions in the past 15 years, I have taken the floor of this House to urge Congress to liberalize, humanize, and improve our social security system. While we have made progress in liberalizing our system, I still feel that we have not gone far enough in correcting and eliminating some of the unfair and unrealistic provisions of the law which still cause hardship in millions of American homes.

I will support this bill but I cannot say that the provisions of this measure will fulfill all or even a great part of my expectations.

I feel that it is of the utmost importance to give our 23½ million social security recipients—the men and women who are working hard to put food on their tables and clothes on their backs—a tax break. Although we are already paying approximately $30 billion a year which is now doing our country little or no good. So, I say that this is not the time to raise taxes, social security or otherwise. This is a time to stop wasting the taxpayers' money.

...
I believe that the whole American pension system should be restructured. Many of our American poor are senior citizens who, however thin their wallets, are a lot richer in spirit and dedication to the American way than the so-called poor who hop out of Cadillacs to loaf and pillage. Is it because our senior citizens do not riot—because they do not whine about “deprivation”—that they are ignored by the Johnson administration super-social planners set on cutting the poverty offices in purple convertibles and starting taking better care of our senior citizens who have worked hard all their lives?

An adequate pension system is a national "must," to my way of thinking. No retiree collecting a Federal pension should get less than $200 a month, if he or she has a lot of income. If we can write into law, we would do a lot more to fight poverty, and help a lot more deserving people, than by bankrolling left-wing agitators in the guise of fighting poverty.

I am also glad to see that the bill we have before us today makes some sound changes in the social security system. For one thing, social security recipients have a right to be reimbursed up to $1,650 a year without loss of benefits and up to $2,880 with only a half loss. I am in favor of any change in this direction, and frankly I would like to see the minimum income limitation here removed altogether as I have suggested for many years.

Many people in my district who have paid considerable sums into the social security retirement program cannot presently collect any benefits because they have an income of $2,900 a year. This is grossly unfair. If you live in the slums on $2,900 a year, every bleeding heart in the Government will try to excise you if you riot, but if you live in an ordinary residential neighborhood minding your own business and trying to make ends meet on $2,900 a year, you will go to jail, not the General Federal Government—and no social security benefits.

I am pleased to see that this bill also improves the medicare program. For one thing it is too difficult for these disabled people to obtain coverage under medicare. I believe that this bill does not extend medicare coverage to those persons who are receiving social security disability benefits. I have introduced legislation along these lines myself, and I think that extension of medicare coverage under these circumstances is an important step which must be taken to improve the medicare program.

I am a little concerned about the way in which the medicare program is working. In some areas, it seems to be bogged down in red tape. Hopefully, these delays are no more than organizational difficulties, but I want to see more Members of this House share my concern, and we will be watching the program carefully. As many Members of this House know, I have long introduced many different bills to extend and humanize our social security system. For one thing, I have long felt that we ought to reduce the social security retirement age for men to 65 (and for women) now. Now, in the light of recent riots and the growing need for slum jobs, I believe it is more important than ever that we allow men and women to retire at earlier ages. Perhaps earlier we allow people to retire, the more jobs we open up for our younger people.

Let me say in closing that while I support this bill, I think it is inadequate in some areas. First of all, 12½ percent social security increases are not enough. Furthermore, there ought to be a $200 a month minimum for retirees with no other source of income. Also, social security benefit increases should be tied to cost-of-living index increases and not dependent on the slow processes of the administration and Congress.

Most of all, however, I do not believe that social security taxes and income base levels ought to be raised. These raises merely amount to a further tax on our overtaxed middle income group. I see no need for these payments we need in the social security system cannot be financed out of general revenues. Granted this will require a considerable cut in the present level of Federal spending, but this is a war on poverty and foreign aid, all of these expenditures are getting us nowhere, and we would do better to spend the money on tangible assistance to our senior citizens and thereby lessen their financial burdens.

I urge the Members of this House to support this bill, but I also hope that real consideration is given to curtailing back on wasteful Federal spending at home and abroad so that we can use the money to set up a broad program of improved pensions for our senior citizens.

Mr. MILLER. Mr. Chairman, I yield 5 minutes to the gentleman from North Carolina [Mr. WHITENER].

Mr. WHITENER. Mr. Chairman, the distinguished chairman of the Ways and Means Committee has already spoken for the committee certainly have my respect and admiration. I know the Job they have done has been one which was difficult, and that they have undertaken to do the best they could with this legislation.

I must say, though, that there is one area in the existing Social Security Act which gives me as much concern as anything I have come into contact with in performance of my duties as a Member of Congress. That concern is based on the application of the present Social Security Act as to when a person is totally disabled.

I was, therefore, somewhat taken aback to observe that the committee in this bill has gone even further than existing law in limiting the eligibility of disabled persons who apply for Social Security Act benefits. It will appear, on page 88 of the bill, that the committee has carried forward the present definition of disability but has added the words: "* * * enzymes in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work."

Then on page 88, at line 18, it says:

"For purposes of this subsection, a "physical or mental impairment" is an impairment that results from anatomical, physiological, or psychological abnormalities which can be shown to exist through the use of medically acceptable clinical and laboratory diagnostic techniques."

When we look at the committee report, on page 30, we find this language:

"The impairment which is the basis for the disability determination must result from anatomical, physiological, or psychological abnormalities which can be shown to exist through the use of medically acceptable clinical and laboratory diagnostic techniques. Statements of the applicant or conclusions by others with respect to the nature or extent of impairment or disability do not establish the existence of disability for purposes of social security benefits based on disability unless there are supported by medical findings or other medically acceptable evidence confirming such statements or conclusions."

It seems to me this is probably the first time in the history of American jurisprudence that what is normally accepted as substantive evidence is converted into mere corroborative evidence.

I take exception to what is said in the committee report, in effect, that the intent of the legislation is that the testimony of a wife or a member of the applicant's family is not admissible, or, if admissible, is not to be considered by the Social Security Administration or by the courts, unless that evidence is merely corroborative of some medical statement.

This to me is a little harsh. I believe also that it is not provided that because an individual may be able to do some particular type of job which is available to a resident of Alaska, that an applicant in Florida is disqualified to receive disability benefits because there is a job there since that job is one which is available to people in our national economy.

That kind of test is making it entirely too difficult for these disabled people.

This provision in the bill is even stricter than the present terrible definition of total disability. A worker who has suddenly become disabled may not be the burden of the additional expense of his disability, and has to support him and maintain him, creates a situation which is much more harsh than the application of the Social Security Act to a deceased employee and his family.

It seems to me that we could be a little more helpful to those who are stricken down in their health.

I urge the Members of this House to provide that because an individual may be able to do some particular type of job which is available to a resident of Alaska, that an applicant in Florida is disqualified to receive disability benefits because there is a job there since that job is one which is available to people in our national economy.

That kind of test is making it entirely too difficult for these disabled people.
Mr. SCHWENGEL. Mr. Chairman, will the gentleman yield to me?

Mr. UTT. I yield to the gentleman from Iowa.

(Mr. SCHWENGEL asked and was given permission to revise and extend his remarks.)

Mr. SCHWENGEL. Mr. Chairman, the House and the Nation are considering one of the most important bills of the 90th Congress. The Social Security Amendments Act of 1967 provides some much-needed raises to the 22 million Americans who have earned social security trust fund makes this bill necessary.

This legislation is long past due. Funds have been available for almost a year to provide for an increase in social security benefits. Early this year I called for an immediate 8-percent across-the-board increase in benefits. Later, when no action had been taken, I called again for the largest possible increase in payments consistent with the fiscal soundness of the trust fund, retroactive to January 1, 1967.

I support the Social Security Amendments Act of 1967. The principal provisions of the bill provide for a 12½-percent across-the-board increase of social security benefits. Minimum social security benefits will be raised from $44 to $56 a month.

The increase in social security payments will provide for the much-needed additional income to our retired citizens, who, through no fault of their own, have seen their income cut unfairly by the malady of inflation.

It is a disappointment to me that the Ways and Means Committee did not include a cost-of-living clause in their bill. Legislation recently enacted by both houses with these benefits has increased social security benefits automatically whenever the cost-of-living index rises. It is a firm conviction of mine that retired citizens deserve a larger portion of the protection and security they need.

Now if inflation remains unchecked, the purchasing power of social security payments will very shortly slip again. Once more Congress will be called upon to act—and to act quickly.

The failure of the committee to reintroduce the full deduction for the medical expenses of our older citizens was also disappointing. Next year our elderly citizens will be faced with a bigger tax bill because needed action was not taken.

The Ways and Means Committee, however, did wisely reject President Johnson's proposal to eliminate the "double exemption" for individuals over 65. The President's proposal to increase the income taxes of our retired citizens would have further cut retirement income.

To pay for the increased social security benefits, the bill calls for an increase in the earnings base from $6,600 to $7,700. A slight increase in tax rates is also included in the bill. I had hoped that an increase would not have been necessary. But rising hospital costs and the necessity of maintaining a fiscally sound social security trust fund makes this action necessary.

A number of changes will be made in the medicare law by this bill. These changes will help improve the administration of the system. The number of days of hospitalization under medicare has been raised from 90 to 120 days, with the patient paying for half the per-day cost of the additional 30 days. The bill also permits reasonable changes for inpatient radiological and pathological services and payments for outpatient physical therapy and diagnostic X-rays. The provision in the medicare law that this provision is the provision that outpatient hospital services, now covered under the health insurance program, will be covered by the supplementary medical insurance program in the future.

The proposal in the legislation will make significant and long overdue changes in the state aid to dependent children, and child welfare programs. Each State will be required to develop a program for each family on ADC rolls designed to get the job for the family. It is hoped that the family can be removed from the welfare rolls.

Specifically, States will be asked to establish family planning programs, provide for family counseling, testing, and training. It will bring child neglect cases to the attention of the courts and take steps to more effectively enforce child support laws, especially in regard to deserting fathers. The new bill also makes mandatory for those on welfare rolls to participate in community work and training programs or lose their assistance. Furthermore, families will also be suspended if the father refuses to participate in job training programs.

The legislation recommended by the House Ways and Means Committee takes important and meaningful steps toward helping those on welfare rolls become economically self-sufficient members of society. The bill will encourage the States to accelerate their efforts in this area.

The emphasis on job training is most desirable. It is my hope that the legislation will be just the first step in what will eventually be a complete revamping of present public assistance programs.

There is no doubt that the increase in social security benefits provided in the bill before the House is needed because inflation has cut the retirement income of our retired citizens. The action to raise the social security payments is needed, but not enough. To adequately protect retirement income a sound and fiscally sound medicare law is the provision that out-of-pocket medical expenses, now covered under medicare, will be covered by the health insurance program, will be covered by the supplementary medical insurance program. The legislation recommended by the Ways and Means Committee provides a base for that.

Mr. UTT. Mr. Chairman, I yield to the gentleman from Wisconsin [Mr. Schaeberge].

(Mr. SCHAEBERG asked and was given permission to revise and extend his remarks.)

Mr. SCHAEBERG. Mr. Chairman, I am pleased to join my colleagues today in supporting this long-overdue increase in social security benefits. It is not a credit to our society that our senior citizens are the forgotten group. These are the men and women who have made the sacrifices, who laid the ground for our affluent world of today. They now find themselves the victims of the system which they created. As living costs have soared, their retirement income has remained static and the money they need for their daily needs. Personal incomes have remained static. As living costs have soared, their retirement income has remained static.

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The emphasis on job training is most desirable. It is my hope that the legislation will be just the first step in what will eventually be a complete revamping of present public assistance programs.
Mr. UTT. Mr. Chairman, my purpose in taking the floor at the conclusion of this debate is for the purpose of explaining my reasons for offering a motion to recommit. However, before doing that I would like to pay my respects and offer my compliments to the chairman of the committee, for whom I have high affection and a deep regard for having served so well in the field of taxation. I want to pay my special respects to the gentlewoman from Michigan, Mrs. Martha Griffiths, who fought day in and day out for the recognition of the woman worker and made some impression at least on the Department of Health, Education, and Welfare. I am sure she will conclude that battle next year, as we have other amendments offered and adopted.

Let me say that I attended 90 percent of the hearings and executive sessions and took an active part in and supported the amendments put into the bill. They granted me, for that purpose, my own amendments which had been introduced as bills to correct some of the inequities in social security.

I appreciate the remarks of Speaker McCormack. It was a truly bipartisan effort to whip out a good social security bill. I am in support of about 207 pages out of 208 pages in the bill. You may say, "What are you nit-picking about?" I nit-pick about one page in the bill?" I nit-pick on that, if you call it that, because I think it is wrong in principle. I think it is wrong in fact, and I think it is wrong in the House. You recall I called it nit-picking, but I do not, for the simple reason that if I have here about 5 ounces of clear water which I would like to drink of, and somebody puts in one-half an ounce of arsenic, I am not going to drink it. I think in this bill there is one-half ounce of arsenic which we will live to regret in the future. This is found on page 29 at the point where we raise the base for taxation by $1,000. That converts this bill into a gross income tax of about 5 ounces of clear water which I would like to drink of, and if somebody puts in one-half an ounce of arsenic, I am not going to drink it. I think in this bill there is one-half ounce of arsenic which we will live to regret in the future. This is found on page 29 at the point where we raise the base for taxation by $1,000. That converts this bill into a gross income tax on a graduated basis.

Now, in America there are only 25 percent of the workers who will pay on this higher base. They are contributing $14 billion, half of which will go to those people on social security who do not contribute anything in that bracket of from $6,600 to $7,600. Therefore, again we convert the bill to a social welfare bill, taking from those in the middle- and upper-income brackets who earn this greater amount of money and not returning it to them in replacement of wages but assigning it to the people in the lower wage scales. That is a matter which to me is a welfare matter and should be supported by the entire country, coming from all the taxpayers and not contributed by that select group of workers who happen to be earning $7,600 a year. But it will not be receiving the benefits of their own contributions. The bill has lost its original concept of a relationship between wages and benefits. It turns social security into a social welfare bill.

I would like to support the other 99 percent of this bill, because I think it is proper and good, and there was good cooperation in working up a good bill.

Mr. BURTON of California, Mr. Chairman, will the gentleman yield?

Mr. UTT. I will be glad to yield to the gentleman from California.

Mr. BURTON of California. Does the gentleman concur in the estimate that under title XIX alone the State of California will lose money in terms of Federal contributions on existing medical care programs in the scope of $100 million to $150 million each year up to some $250 million and bordering on $300 million in fiscal year 1972?

Mr. UTT. Yes. I agree with the gentleman from California [Mr. Burton] to the effect that the differential will run up as high as $300 million. But I must say that if there were not placed in this position of having to make a decision on the present basis, it is, in my view, as the State of California is concerned, and as some of the other States are concerned, we would be facing a $4 billion or $5 billion increase in the social security tax.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. BYRNEs of Wisconsin. Mr. Chairman, yield the gentleman 5 additional minutes.

Mr. BURTON of California. Mr. Chairman, will the gentleman yield further?

Mr. UTT. Yes, I yield further to the gentleman from California.

Mr. BURTON of California. Would the gentleman, a member of the committee, agree that, if the Congress is going to limit-despite the higher cost of living-the social security benefits of those in the lower income brackets as compared to those in the higher income brackets, they should be doing it in a manner which will reduce the differentials in some way and not have those who have a higher income pay for the increase in the costs of the social security program? Would the gentleman agree that the differential in the social security program is so great that it is not fair and not equitable?

Mr. UTT. I will be glad to yield to the gentleman.
gress did not intend a medicaid program of the scope enacted by New York State.

Mr. STRAITTON. Mr. Chairman, I take this gentleman for his contribution, and I am a New Yorker, too, and naturally I want to see my State get as much of the available Federal benefits as it is properly entitled to. But the way in which New York State implemented title XIX, which passed in 1965 did indeed go, as the distinguished gentleman from New York (Mr. McGovern) has just said, far beyond what this Congress ever intended to do. As a matter of fact, it became clear that if this New York type of title XIX implementation were allowed to stand and if it were then to be adopted by the 49 other States in the Union, it would impose an intolerable financial burden, not only on the taxpayers of our own State, but also on the Federal taxpayers as well.

Let me just recite some of the things that the New York implementation of title XIX did:

1. It made medicaid available to 40 percent of the population of the State, and in some areas as high as 79 percent of the population.
2. It made a family of four with an income of $6,000 after taxes or $7,500 before taxes, eligible for free medical assistance. And for families with more children that figure could go as high as 80 percent.
3. It precipitated a movement toward rescinding existing labor-management contracts under which employees were getting medical insurance as a fringe benefit, because now they could get it free from the State under medicaid.
4. It even undermined the great medicaid program itself, which I have always sold because people were encouraged, even by the city health commissioner in New York City, not to buy into the $3 a month medical insurance program under medicaid, because they could get it free from the State.
5. Finally, it created the incredible situation where the estimated costs of the New York State program were twice the amount that had been estimated to cost the Federal Government for programs in all 50 States.

Obviously, such an anomalous situation could not be permitted to continue. And the way in which the committee has devised in this bill does, I believe, provide safe and sane financial limitations on title 19, on the medicaid program. It brings this legislation into line with our original intentions. None of the basic purposes of title 19, which the gentleman from Arkansas (Mr. Mills) helped to devise, have been harmed or injured in any way.

In addition to that, by passing this bill we are going to save the taxpayers some $500 million a year in excessive medicaid costs—and with a $29 billion deficit, gentleman, "that ain't hay."

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Illinois (Mr. O'Hara).

Mr. O'HARA of Illinois. Mr. Chairman, I have such a deep respect for the scholarship and the mastery in debate of the members of the Committee on Ways and Means that I would not be emboldened to participate in this debate except to the extent only of making some philosophical observations.

Recently I have read in the newspapers that a certain man, possessed of profound wisdom and not loath to share it with an admiring world, had declared in a thundering voice that the Constituencies over which he presided and that he represented no Member of the Congress should be seated if 65 years old or over. Well, I was 67 years old when I came here 18 years ago. So when I read these things—they stir up something. Amusement mostly I would say, and perhaps a bit of leveling tolerance.

During this debate, and it has been a long and heated debate, I have looked around, and most of the Members I have seen on this floor three Members of the House who are past 80 years old. During some of the time I have seen four Members of this House were past 80 years, listening to the debate. The debate has to do with the welfare of old people, and naturally these Members who are over 80 have a deep and abiding interest.

Then I have looked around and I have gone out and looked in the corridors and even under the tables and I even looked up into the rafters, and I could not see any young and promising man of destiny who had called upon the gods and they would be writers of the Constitution to close the doors of Congress to anyone 65 or over. Where, oh, where, does one hide when there is legislation on the floor to bring a little greater richness into the lives of the aged?

Well, Mr. Chairman, I have been told that the number of old people in the United States is equal to the combined population of 20 States of the Union. I have been told, too, that the life expectancy of a baby born in 1967 is 70 years. I have been told, also, that Benjamin Franklin was an outstanding member of the Constitutional Convention when he was past 80, and that in every Congress of the United States there have been Members of Congress who have been members of leadership who were past 80.

My own State of Illinois was brilliantly represented in the Senate by Senator Culom when past 80, and in the House by Speaker Joe Cannon when close to 90, and by Adolph Sabath and Thomas O'Brien when well past 80. Sabath and O'Brien were of the all-time greats of the House.

Mr. Chairman, this is a good bill. It will benefit 23 million men, women, and children, and most of the men and women are old men and women. Maybe it does not go as far as I would go, but I know full well that in my arithmetic book there have never been any tables of multiplication, addition and subtraction, only charts of the heart. I know you cannot have been cold, also, that Jefferson was of the all-time greats of the House.

Mr. Chairman, I commend the members of the Ways and Means Committee for agreeing on this bill. Compromise by earnest and sincere people produces the best in legislation. I would call this a day of happiness, when we have reflected in this historic Chamber congressional functioning in its finest expression. The bill before us is cosponsored by the chairman of the great Ways and Means Committee and by the ranking minority member of that great committee. It is a bill that has the backing of the Democrats and the Republicans, and it is a bill of the heart. I am happy to support it.

When I leave this Chamber tonight, I am going to read the newspapers in the dim hope that somehow, somewhere I can discover a trace or anything in the nature of a clue as to the hiding out place of the critics of older Congressmen when under discussion was a bill to do something for the old people, to do a little something for unhappy people, for needy people, for the aging and the aged. Where today when this debate was on, and those past 80 were here, were those who had shouted to the winds "No Congressmen over 65? Where were they then? Where were they then? Are they out chasing the angels or the butterflies? I do not know."

Mr. Chairman, I am extending my remarks to include the following telegram:

CHICAGO, ILL., August 15, 1967.

BARRATT O'HARA,
U.S. House of Representatives,
Washington, D.C.;

We are writing to ask for your support for amendments to the social security bill H.R. 12080 as an official of a union with a large membership in the Chicago area. I feel that you as one of our Representatives should be aware of our thoughts on this important matter.

EDWARD J. O'BRIEN,
Recording Secretary, Gas Workers Union,
Local 1899.

CHICAGO, ILL., August 15, 1967.

HON. BARRATT O'HARA,
House of Representatives,
Washington, D.C.;

We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge you to support this bill as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill. We urge your favorable consideration of House bill H.R. 12080 as a social security amendment bill.
to support in passing said bill. Reply to tele-
gram requested.

DAVID C. SULLIVAN,
Secretary and Treasurer of Local 331.
CHICAGO, ILL.,
August 15, 1967.

HON. BARRATT O'HARA,
House of Representatives,
Washington, D.C.

As the representatives of four thousand
workers in Chicago area hotels, motels, and
nursing homes, we urge that the benefit-
s of adequate social security, we urge you
to support H.R. 12080 and to persuade others to
support L:

LOCAL 4, BUILDING SERVICE EMPLOYEES
INTERNATIONAL UNION (AFL-CIO),
ROBERT JOHANSEN, President.

CHICAGO, ILL.,
August 15, 1967.

Representative BARRATT O'HARA,
House Office Building,
Washington, D.C.

On behalf of over 10,000 members of Build-
 ing Service Municipal Employees Union Local
Number 46, B.S.E.I.U. AFL-CIO 818 West
Randolph Street, Chicago, Illinois, we urge your
support in approving the social security amend-
ments bill of 1967. H.R. 12080. Please
notify me as soon as possible as to your deci-
sion.

JOHN J. MASSE,
President.

Mr. MILLS. Mr. Chairman, I yield 5
minutes to the gentleman from Cali-
ifornia. (Mr. Burton.)

(Mr. Burton of California asked and
was given permission to revise and ex-
tend his remarks.)

Mr. BURTON of California. Mr. Chairman,
I certainly do not believe that no one in
the Chamber will assume that the rem-
arks and observations I have made will in
any way reflect anything but the
highest esteem and affection for the
diligence and energy of the chairman
and various members of the Ways and
Means Committee.

The fact of the matter is that in this
legislation there is not a single dime for
the 7 million people in America—not one dime. I assume when I
finish, if my figures are challenged, I
will see whether I am right or whether
someone else is right in that respect.
There is not one quarter given in rais-
ing the aged and disabled, the blind, or
those on aid to families for dependent
children in this bill. There is some mar-
ginal improvement in permitted earnings
for children in this bill, unless you are
currently working in a poverty program,
and in that instance your permitted earn-
ings are decreased. They are decreased
from the current level of $85 permitted a
month and half the amount thereafter-
down to $30 a month, to one-third of
the next $60.

There is another problem the bill poses,
and I hope the chairman and the full
committee will help clarify the record in this
respect. This bill requires that a 18-year old
in virtually all circumstances be required
to support his parents. There is no limitation whether that as-
digned work be as a strikebreaker or
not. There is no statement as to the
minimum wage, and there has been some specula-
tion the work credit wage will be the
lower rate of 75 cents an hour. There
is no provision for unemployment
insurance of social security credits for
these people once they are put to work.
I do not think any of us have to con-
jure for very long to see how a man, in order to receive AFDC must work—
for public assistance for himself—at 75 cents an hour and he can even be sent into a
strikebreaking situation. This is hardly
the kind of national policy some of us want to see adopted.

A third weakness in this bill, which
was a weakness a year ago, and which is
a weakness today, is that the poorest of
all those receiving the veterans' pension,
those who receive these pensions so one
month, are completely disqualified from
the transitionally insured program for
the 72-year-olds and over. This was an
overlooked provision in the bill. I take it in con-
ference last year, and it is an oversight
in this bill. I hope we will see the poorest
of the veterans—or their widows—who
receive veterans' pensions, are given
the advantage that their peers, who
have outside income but receive veterans'
pensions of $23 or $35 a month, because
they have that small outside income. Right
now, we are stuck with the ludicrous
situation that if the veteran (or his
widow) receives $125 outside income a
month, we can get the supplemental ben-
fits for the transitionally insured. But
if he has no income at all, and is not in-
sured under social security, he cannot
receive any transitionally insured benef-
ts.

Fourth, I think the Republicans are
right. We should have had a cost-of-living
provision in this bill. I regret it is not
in this bill.

It should be funded out of general funds. I hope the Senate does something about that.

Let me get to another matter. The pro-
posed title XIX amendments, con-
trary to that which has been said on this
floor, are absolutely antagonistic to the
legislation as it stands. They are absolutely
contrary to the original title XIX legisla-
tive intent. The intent of title XIX and
the Kerr-Mills Act was to provide the
medically indigent an equivalent degree
of medical care provided public assist-
ance recipients under PAMC—some
means by which they could receive med-
ical care benefits. The medically indigent
by definition were those whose income
did not permit them to qualify for a pub-
lic assistance grant, but whose income
was so limited they would not be able to
meet medical costs in addition to mini-
num non-medical expenses.

What position are we in with this bill?
It is going to reduce Federal contribu-
tions under title XIX to California—in
the next few years—by $200 to $300 mil-
lion per year.

What else will it do? If one is on old-
age assistance in the State of California,
the average cost is about $150 a month. For a married couple it can be
$300 a month, if they are on old-age
welfare. What if one is too proud to take
welfare and the combined social security
benefits between that and that and
wife is a lesser amount than that which they
would receive on welfare?

Under the proposed title XIX income
limitations, have people drawing old-age
security benefits whose income is
less than someone drawing old-age as-
sistance, and they will be precluded—
under the clear language of this bill—
from getting equivalent medical care that
is received by their better-off coun-
terparts under OAA. I do not think that is a
thoughtful legislative product.

My colleagues, I have made a number of
statements. It can be demonstrated, if
someone wants to take issue with them,
whether I have misstated titles or not, I
have a few minutes of my time left, which
I will not yield back. However, I
invite anyone to take issue with those
statements.

In the absence of being questioned, I
assume—in the record—they will have
control unchallenged.

Mr. MILLS. Mr. Chairman, will the
gentleman yield?

Mr. BURTON of California. I yield to
the chairman, the gentleman from Arkansas.

Mr. MILLS. Mr. Chairman, if the
gentleman will read the report, he will
find some parts of his fears are laid to
rest. On page 105 there is specific refer-
ence to the minimum wage laws and things of that sort to which the
gentleman referred.

It is true with regard to title XIX, as
the gentleman stated, the State of Cali-
ifornia would be affected in that the Fed-
eral Government would not participate
to the extent that the State desires it to
participate in helping these people in
that State.

The gentleman is correct in that.

Mr. MILLS. Mr. Chairman, will the
gentleman yield?

Mr. BURTON of California. I yield to
the gentleman from Missouri.

Mr. CURTIS. Mr. Chairman, will the
gentleman yield?

Mr. BURTON of California. I yield to
the gentleman from California. Am I not
correct that the minimum wage standard
is not $1.25 and not $1.40, but may be
$1, or perhaps the learner's rate of 75
cents an hour?

Mr. MILLS. It could be a learner's rate,
yes.

Mr. CURTIS. Mr. Chairman, will the
gentleman yield?

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cents an hour?

Mr. MILLS. It could be a learner's rate,
yes.

Mr. CURTIS. Mr. Chairman, will the
gentleman yield?

Mr. BURTON of California. I yield to
the gentleman from Missouri.

Mr. CURTIS. This is a subject which
the chairman knows I was very much
concerned about, and from the other
angle. I do not get these people back
into the labor market, as to whether or
not they would be impinging on the
minimum wage. The Assistant Secretary
for Health, Education, and Welfare, Mr.
Cohen, reported back to the committee
that he had worked closely with the
Labor Department in respect to how this
geared in with the minimum wage. This
is the occasion for the remarks in the
committee report.

I believe it is accurate to say that ap-
parently the Secretary of Labor feels this
is geared properly.

Mr. BURTON of California. In other
words, I stated the fact right—it may be
75 cents an hour.

The CHAIRMAN. The time of the gen-
tleman from California has expired.

Mr. MILLS. Mr. Chairman, I yield the
gentleman 2 additional minutes.

Mr. CHAIRMAN. Will the gentleman
yield?

Mr. BURTON of California. I yield to
the gentleman from Arkansas.

Mr. MILLS. It hurts me to note that
the gentleman finds so much wrong with
this bill that apparently he cannot sup-
port it.
Mr. BURTON of California. The gentleman from Arkansas is stating the dilemma confronting the gentleman from California. As the gentleman knows, under the closed rule, we cannot amend this bill on the floor. I do not think it is altogether too important that though this bill will help the needy, this bill will not in any manner, shape or form help the poorest—underscore the poorest—in the list. It will, however, be of modest help to the near poor.

I am confronted with the fact, number one, that we cannot make amendments to the bill; and, number two, does one punish someone in need, knowing the neediest of the land is without assistance?

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. BURTON of California. I yield to the gentleman from Arkansas.

Mr. MILLS. About a million people draw public assistance because they are 65 years of age or older who also draw social security. We do not control this through without reducing their social security.

Mr. BURTON of California. May I interrupt at that point? The gentleman is absolutely correct. The States can pass on up to $5 of the social security income, then draw Public assistance because they are 65 years of age or older who also draw social security.

Mr. BURTON of California. May I interrupt at that point? The gentleman is absolutely correct. The States can pass on up to $5 of the social security income, then draw Public assistance because they are 65 years of age or older who also draw social security.

Mr. MILLS. To the extent that the States will allow it, they may pass some of this through without reducing their welfare payments. We do not control that.

Mr. BURTON of California. May I interrupt at that point? The gentleman is absolutely correct. The States can pass on up to $5 of the social security increase, if they desire it.

I submit that there are not 5 percent of the aged in the land who live in the States which require or permit this to be passed on. I submit that the States are going to lower the old-age public assistance dollar for dollar, for every increase in the social security bill.

I would ask the chairman of the committee, if you figure right or wrong that less than 5 percent of the current recipients of old-age assistance and social security live in States which require the phasing on of social security increases?

Mr. MILLS. There is not any requirement anywhere, that the States must pass on social security increases.

Mr. BURTON of California. Then they all live in States where it is not required. Therefore, they will get nothing from the bill.

Mr. MILLS. So far as Federal law is concerned, we do not require it and have never required it. We allow the States to do it.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. BURTON of California. I yield to the gentleman from Missouri.

Mr. CURTIS. I believe the gentleman is misconceiving the theory of this program. The States set what they believe to be the need of these people. If they do not gain from their own resources from this increase, then they match additional amounts. In theory, if there is an increase in social security and they do not increase the amount they previously provided as the need, it does not pass. The States can pass it on.

The CHAIRMAN. The time of the gentleman from California has again expired.
problems related to minority groups, and that all of the major cities are receiving into their midst people from other parts of the country who come to New York, Los Angeles, and Chicago, and other cities, and also the cities which the other cities have no control. This in-migration into the cities—will increase and not decrease in the coming years. This will also result in an increased cost to these particular localities. I take strenuous exception to these formulas which impose ceiling and represent an increase in additional costs to our cities.

I have before me several restrictive elements of H.R. 12080.

I will now elaborate on the details of my reservations about the bill.

Mr. Chairman, notwithstanding a number of improvements of the existing Social Security Act proposed in H.R. 12080, many of the proposed revisions do not, in my opinion, go far enough. Moreover, as adopted by the House Committee on Ways and Means contains certain provisions clearly inconsistent with the philosophy embodied in our present laws.

The proposed provisions do not go far enough in several respects.

In his State of the Union message, this year, President Johnson recommended a 20-percent overall increase in social security payments. This would have increased by 15 percent the payments now received by 23 million Americans. He also recommended an increase in the minimum amount of benefit set at $70, an increase of 59 percent; as well as a guaranteed minimum benefit of $100 per month for those with a total of 25 years coverage.

The bill before us provides an increase of only 12½ percent. The minimum benefit is raised a mere $5, from $44 to $50 per month, for retired workers now on Social Security who began to draw benefits at age 65 or later. This raise is less than 14 percent. The President recommended 59 percent.

The bill increases by a paltry $5 the special benefit paid to certain uninsured individuals over 72 years old. Such a person would receive the "magnanimous" payment of $40 per month. Such "generosity" in the world's richest nation is indeed overwhelming.

Unquestionably, section 104 of the bill amending section 202 of the act (42 U.S.C. 402) so as to provide benefits for disabled widows and disabled dependent widowers who are not old enough to qualify for benefits, now provided for aged widows and dependent widowers, is a step in the right direction.

Despite this amendment—including persons heretofore not eligible for benefits under the act—the strictness of the proposed test of "disability" is such that the present law is entirely too small. It may well prove illusory. The test proposed in section 156(b) of the bill, adding subsection (d) (2) (B) to section 202 is (42 U.S.C. 423) provides a more rigorous test for the newly included disabled widows and widowers than that required for other disabled beneficiaries. The former group must be physically or mentally impaired such as

to preclude them from "engaging in any gainful activity," while the impairment for the latter group—persons eligible for disability payments other than widows and widowers between 50 and 60 years old, section 104 (c) (4) of the bill adding (C) and (D) to section 202(c) (1) of the act, and section 404(c) (11) and (12) of the bill, amending section 202(c) (6) and (7) of the act, would impose an additional reduction in benefits received by beneficiary widows and dependent widowers who are over as well as under retirement age. Moreover, this new reduction applies to widows who under the present law would receive payments prior to the age of 62 years old, as well as to widows and widowers who are disability payments if 50 years or older.

In my opinion, payments permitted under the proposed law, not to speak of the existing law, are such that these increases would be one-hundred-and-ninety-eighths of 1 percent of the benefit multiplied by a specified number of months is completely unwarranted.

There is an obvious need to expand the law to include categories of dependents who would become eligible for benefit payments if those upon whom they depend become disabled or die. The proposed provisions do not for benefits for a parent, dependent upon a worker who becomes disabled or retiree and who himself is eligible for benefits. The present law under section 202(b) (1) (42 U.S.C. 402(b) (1)) precludes payments to a parent dependent upon a disabled or retired worker. Only if the parent reaches full retirement age will the dependent parent become eligible for payments. My bill, H.R. 1237, introduced earlier this session, would provide payments to the offspring to become disabled or retire.

Except for broadening the category of dependents and dependent widowers who become eligible for benefits because of their own disability, the bill before us fails to include new categories of dependents.

The provisions of H.R. 1238, which I introduced this session, would expand the category of dependents now eligible to receive benefits if the person upon whom they depend, is entitled to old-age or disability insurance benefits or if that insured person should die. This category would include, among others, a grandchild, stepchild, brother, sister or brother-in-law if they were under 18 years of age or were 62 years old or older.

The time is long overdue to provide benefits to non-elderly dependents not heretofore covered by the law.

The present law is carried over from section 156(b) of the act which provided for an increase of $1,680—section 203 (f) and (h) of the act as amended by section 107 of the bill amending section 203 (f) and (h) of the act (42 U.S.C. 602(b) (1)) 1002(b) (1) (42 U.S.C. 1202(b) (1)) 1402(b) (1) (42 U.S.C. 1352(b) (1)) 1662(b) (2) (42 U.S.C. 1382(b) (2)). To eliminate such requirements would conform with the policies embodied in title 19 of the act. The same considerations which caused the Congress to preclude residency requirements for the purposes of title 19, apply as well to the social security programs. One who needs money to meet the minimum requirements of life needs it regardless of the length of time spent at a particular address.

I am greatly concerned about the new test for general disability proposed by section 156 (b) of the bill which will add subsection (d) to section 233 of the act. As I have pointed out, this proposed test is not rigorous enough for the newly included disabled widows and widowers than required for other disabled beneficiaries. The former group must be physically or mentally impaired such as

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problems related to minority groups, and that all of the major cities are receiving into their midst people from other parts of the country who come to New York, Los Angeles, and Chicago, and other cities, and also the cities which the other cities have no control. This in-migration into the cities—will increase and not decrease in the coming years. This will also result in an increased cost to these particular localities. I take strenuous exception to these formulas which impose ceiling and represent an increase in additional costs to our cities.

I have before me several restrictive elements of H.R. 12080.

I will now elaborate on the details of my reservations about the bill.

Mr. Chairman, notwithstanding a number of improvements of the existing Social Security Act proposed in H.R. 12080, many of the proposed revisions do not, in my opinion, go far enough. Moreover, as adopted by the House Committee on Ways and Means contains certain provisions clearly inconsistent with the philosophy embodied in our present laws.

The proposed provisions do not go far enough in several respects.

In his State of the Union message, this year, President Johnson recommended a 20-percent overall increase in social security payments. This would have increased by 15 percent the payments now received by 23 million Americans. He also recommended an increase in the minimum amount of benefit set at $70, an increase of 59 percent; as well as a guaranteed minimum benefit of $100 per month for those with a total of 25 years coverage.

The bill before us provides an increase of only 12½ percent. The minimum benefit is raised a mere $5, from $44 to $50 per month, for retired workers now on Social Security who began to draw benefits at age 65 or later. This raise is less than 14 percent. The President recommended 59 percent.

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Under the present law, one is disabled if one is unable "to engage in any substantial gainful activity, by reason of any medically determinable physical or mental impairment which can result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months."

Under the present bill, before one is considered disabled not only must he meet the foregoing requirement; it must also be shown that he cannot, in the light of his condition, engage in any "kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work."

In its report filed with the bill, House Report No. 544, at page 28-31 the committee, citing the rising proportion of disability claimants, stated that it "has become concerned with the way that—present—definition has been interpreted by the Social Security Administration. Therefore it includes in its bill more precise guidelines."

The report noted that a court, in interpreting the existing statute, said: "No standard which emerges ... is a practical one for an individual to use as a firm basis for thinking that this particular claimant can obtain a job within a reasonbly circumscribed labor market.

In annulling this seemingly reasonable interpretation, the bill provides that one cannot be considered disabled, in the words of the report, "regardless of whether or not such work exists in the general area in which he lives, or whether he would be hired to do such work." Such factors of "whether he would or would not actually be hired—because the employer prefers one without some handicap—must not be used as a basis for finding an individual to be disabled."

This is harsh indeed. That there exists a job 3,000 miles from his present home which he might fill, apparently is enough to eliminate any medical disability. I agree with the committee, as stated in its report, about the desirability of establishing national standards in the area of social security. But the only way does defining disability in terms of a reasonable geographic limit beyond which one would not be required to look for employment militate against setting national standards?

Most of us find it difficult to leave surroundings with which we are familiar, to leave friends for strange environs; it is that much more difficult for one suffering a mental or physical handicap. I agree with the committee, as stated in its report about the desirability of establishing national standards in the area of social security. But the only way does defining disability in terms of a reasonable geographic limit beyond which one would not be required to look for employment militate against setting national standards?

Moreover it is unclear whom the burden of proof is placed: nor does the committee's report, citing a summary by the Social Security Administration to the effect that only one in 100 of all disability claimants, stated that it "has become concerned with the way that—present—definition has been interpreted by the Social Security Administration. Therefore it includes in its bill more precise guidelines."

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Most of us find it difficult to leave surroundings with which we are familiar, to leave friends for strange environs; it is that much more difficult for one suffering a mental or physical handicap. I agree with the committee, as stated in its report about the desirability of establishing national standards in the area of social security. But the only way does defining disability in terms of a reasonable geographic limit beyond which one would not be required to look for employment militate against setting national standards?
AFDC payments are to be received by those who are unable to find work, or who have exhausted any community work and training program, to leave their families if they are unable to find work, or who have exhausted any community work and training program, to leave their families if AFDC payments are to be received. The family would also be eligible if the father had received unemployment compensation within 1 year.

Because such a large number of unemployed men have been in the labor force for a long time, this amendment would exclude those families most in need of assistance unless the father leaves the home. This is clearly inconsistent with the objective of the committee—of strengthening family bonds.

The bill is designed to prevent one from "avoiding" work if work is available. As proposed, section 407(b) (1) (B) of the act would require such a father, except for good cause, to accept "a bona fide offer of employment or training for employment." Moreover, section 407(b) (2) (A) provides that a State may apply under section 402 of the act (42 U.S.C. 602) to provide for the establishment of a work and training program, which is defined in proposed amendments to section 409 of the act (42 U.S.C. 609) and assurances that such fathers will be assigned to projects under the program.

Section 204(a) of the bill, amending section 403 of the act, provides for community work and training programs that must meet standards prescribed by the Secretary. Section 204(b) of the bill also provides for adding clause 21 to section 402 (a) of the act. Section 402 contains the criteria for a State plan which is a prerequisite to payments under the program. Proposed clause 21 would require such a plan to include a "work and training program meeting the requirements of section 409." The bill also would add clause 19 to section 402(a), requiring periodic registration of children sixteen years of age and over and relatives, whose needs are taken into account, under clause 1, with public employment offices of the State and clause 20, which would preclude payments to one who refuses to register and to accept appropriate training or work.

Section 203 (a) of the bill which would add clause 17 to section 407 (a) of the act denies assistance to families where the father is in the home and receiving unemployment compensation. This would force a father to leave his family if payments for AFDC are denied. This is not only harsh, but it is obviously inconsistent with the proclaimed policy of the committee favoring family unification. Since levels of unemployment compensation vary among the States, it is also inconsistent with the trend toward the establishment of national standards indicated by the proposed amendment that the Secretary shall prescribe the criteria to determine unemployment under proposed section 07 (a) of the act rather than adhering to State standards as provided by the existing law. Section 401 (42 U.S.C. 601) of the act. Unemployment varies considerably among the States, both as to the amount paid and the length of time for which compensation can be received. The father of a family living in a State paying relatively low unemployment compensation may find it to the benefit of his family were he to "desert" so as to make his children eligible for AFDC payments.

The Federal contribution for the AFDC program is to be frozen under subsection (c) of section 403 of the Act (42 U.S.C. 603) as proposed by section 409 of the bill. This is not only contrary to the completely unwarranted; it will, in effect, discriminate against States whose population is expanding as the result of migration: and it may well have a retroactive effect on those now receiving AFDC payments.

This freeze imposes a penalty on States and potential recipients of assistance because of factors completely beyond their control. The legislation in which the number of children who are receiving assistance under the AFDC program because of the "continued absence from the home of a parent" cannot receive assistance is established in which the number of such children to the total population under 21 years of age as it existed on January 1, 1967.

That is, the number of children of that category for which the State can receive Federal funds must bear the same relationship to the total population under 21 years of age as the ratio for the calendar quarter beginning January 1, 1967.

Thus:

<table>
<thead>
<tr>
<th>After 1967</th>
<th>1st quarter 1967</th>
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<tbody>
<tr>
<td>Children dependent due to desertion</td>
<td>Children dependent due to desertion</td>
</tr>
<tr>
<td>Total population under 21 years old</td>
<td>Total population under 21 years old</td>
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It is obvious that this formula can produce a variety of results, depending upon the factors.

If, for example, subsequent to 1967, a number of families, including those receiving AFDC support for reasons other than continued absence of a parent, migrate out of the State, and the number of children receiving assistance because of absence of a parent remains the same, then the ratio will change. In effect the ratio under 21-year-old children would decrease leaving the AFDC group constant, thereby raising the ratio. To restore the ratio to that established in January 1, 1967, a number of children for which the State can receive Federal funds must be reduced. This could affect States subject to emigration—States which may already suffer from high unemployment and social welfare problems.

What, as it might, States from which people are migrating, the results of this "freezing" formula can be devastating for States into which these families are immigrating. The probability is high that families migrating because of impoverished conditions will include potential AFDC recipients due to desertion of a parent. Their migration would lower the ratio for the State they leave, according to factors constant, but will increase the ratio for the State in which they settle.

For example, assuming the number of AFDC recipients whose parent has deserted is smaller than the total under 21 population, a subsequent immigration of families with children in this particular AFDC category, both categories—AFDC and total under 21 years old—will increase, but the resulting ratio will exceed that established in 1967. The State will be ineligible for Federal assistance for some of the children.

The control of people who have over the immigration and emigration and the resulting increases or decreases in its population? Notwithstanding the moral implications, what legal jurisdiction does a State to which a family has immigrated, have over a parent who, for whatever reason, refuses to join his family?

Moreover, in many cases certain groups of people have migrated out of specific States because of the social policies under which they were forced to live. The fact of the matter is that certain States have received those who have migrated. Nor is this a phenomenon of the past. According to a recent article in the New York Times, August 3, 1967, by Will Lissner, recent studies indicate "that the migration of white and Negro poor from the country's rural areas, in the past five years, will continue into the mid-1970's."

The article quotes a report by Jonathan Lindley, Deputy Assistant Secretary of the Economic Development Administration as stating:

A startling potential mismatch of jobs and population threatens the urban complexes like New York with a serious problem in the decade ahead.

Moreover, Mr. Lindley is reported as having said:

Many agricultural communities have ill-treated the Negroes.

Will Lissner's perceptive article follows at this point in the Record:


Migration of Poor to City Likely for Decade More

(By Will Lissner)

New studies by several Federal bureaus have indicated that the migration of white and Negro poor from the country's rural areas, in the South and other cities, will continue into the mid-nineteen-seventies.

Mayor Lindsay has pointed out that New York's soaring expenses for public assistance are "largely the result of the influx of relatively unskilled persons to New York City from Puerto Rico and the American South."

Jonathan Lindley, deputy assistant secretary of the Economic Development Admini-
August 17, 1967

CONGRESSIONAL RECORD — HOUSE H10713

ISTATION, summed up the migration studies in a report now being circulated to development specialists:

BLAME RURAL CONDITIONS

According to the report "it has been the push of poor rural conditions rather than the pull of attractive economic opportunities that produced the migration of more than 10 million persons from rural to urban areas in the last two decades."

Mr. Lindley said that it was the rapid growth of productivity in agriculture, mining and other extractive industries, affected through the introduction of labor-saving equipment and techniques, and the depletion of mineral and other resources in many rural areas that produced the migration. "There is every indication that the growth in productivity in agriculture and extractive industries will continue over the next 10 years," he declared, "and consequently that the migration of people from rural to urban areas will also continue."

Mr. Lindley said that the Economic Development Administration had undertaken projections of where people and jobs would be situated in 1967-50. According to some of the preliminary results of this work, he said, a "startling" potential of 70 million jobs from 1965 to 1975 threatens the major urban complexes like New York with a serious problem in the decade ahead.

POOR ILL-TREATED

Also in social terms, Mr. Lindley said, many agricultural communities have ill-treated the poor, especially the Negroes. On the other hand, the inner city areas have shown hospitality rather than empathy for the dis advantaged.

PRESSURES IN RURAL AREAS

Some economists argue, Mr. Lindley reported, that the recent increase in urbanization has not been in response to attractive economic opportunities in the large cities.

Rather, he said, "it is the result of the very severe economic and social pressures in the rural areas." On this account, he held, it is likely that a large flow of migrants "will continue to move from the hinterlands to the urban complexes."

The abject poverty of nonwhites now living in the country's rural areas, and also of whites there, has been measured by the United States Public Health Service's National Center for Health Statistics in reports just published. The service studied a national sample of persons in 80,000 households between 1961 and 1963, obtaining estimates from the sample for the population of the entire United States.

The report indicated that the health survey totaled 14,917,000, with 12,633,000 whites and 1,115,000 nonwhites. Surveys in 1961 have shown further. The Current Population Survey in 1960 found the farm population to be 11,115,000, with 10,261,000 whites and 854,000 nonwhites.

Records show that the farm population had been cut in half in 20 years. In 1940 the farm population numbered 17,500,000. The health survey found that 34.1 per cent of nonwhites in the 1962 farm population, living in families of 2 to 7 or more persons, had total family incomes of less than $1,000. By this measure, the national survey found that for whites was 8.7 per cent. Of nonwhites living alone on farms, 80 per cent had annual incomes less than $1,000. Of nonwhites living in families, 69.1 per cent fell into this category. So did a substantial number of whites, 21.4 per cent.

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The report also noted that 213,000 nonwhites on the farms live in families headed by a woman under 65 years old. Of these, 88.8 per cent were in families with total family incomes of less than $2,000 a year and 54.9 per cent in families with annual incomes less than $1,000.

Another serious problem is presented by the fact that about 213,000 nonwhites on the farms live in families of which the head was 65 years and over. They are supported by families with less than $2,000 a year and 35.4 per cent in families with less than $1,000.

The report indicated that the health measures to family characteristics, including family income, produced as a by-product of the survey. Modest incomes supported 40.9 per cent of nonwhites and whites, urban as well as rural.

Thus of the 19,771,000 nonwhites living in nonwhites families, with incomes under $3,000 a year. Of the corresponding group of 150,161,000 whites, only 15.7 per cent fell in this class.

In the income levels above the poverty line but below the level of affluence — levels between $3,000 and $6,999 in annual family incomes of nonwhites and whites, urban as well as rural.

Great disparities mark the comparison of higher incomes. While 36 per cent of whites had annual family incomes of $7,000 and over, only 11 per cent of nonwhites fell into this group.

Nonwhite families with incomes of $10,000 a year and over included 711,750 persons. They number only 3.6 per cent of all nonwhites living in families. At this income level are 15.9 per cent of whites.

Mr. Chairman, even were the proposals designed to achieve the goals of AFDC and assistance to take jobs or enter training programs under the threat of a withdrawal of that assistance considered desirable, it is highly probable that certain areas will be faced with a very serious problem only over a period of time, of matching people with jobs. This assumes that the jobs exist, an assumption tenous indeed with an unemployment rate of over 4 per cent.

Need more be said to point out the effects of this provision holds in store for urban areas, the populations of which are expanding by the immigration of people many of whom will need economic assistance — immigration often the result of social policies of certain States?

The provision in the bill completely disregards the differences among States — not only a no unemployment compensation, but also for what ever married couples and families are eligible under this program. To some extent, migration of population reflects the low level of public assistance in certain States.

If it has heretofore been unclear, certainly it is by now obvious that the problems faced by many States concerning the welfare of certain of their residents are problems of national magnitude, requiring resources and coordination unprovided by a single State or even a group of States cooperating on a regional basis. These problems spring from a variety of factors including discriminatory treatment of minority groups; unemployment — for what ever reason; and, in many States, a lack of adequate training and preparation; the immigration of these fleeing oppressions, or unemployment as well as those seeking a better opportunity.

The results have occurred over many years, the burden for states and local governments — burdens which, if they are willing to meet them, more often than not they are unable to adequately meet and that assistance from other sources. Some of these same governments are usually unable to exercise control over shifting population.

A recent article by Ralph Blumenthal in the New York Times, August 11, 1967, indicated the pressures created by migration. According to the article, the welfare roles in Westchester, N.Y., have increased 18.8 per cent since December 1962; New York City's welfare population grew by 12.7 per cent during the same period. The official explanation given focused on "general population shifts and the increased availability and publicity of public assistance programs." Figures compiled by the Westchester County welfare commissioner indicated that:

The applicants major reason for seeking all forms of public assistance, including unemployment and a deserting or absent father.

The administration of the welfare program, the largest of which is aid to dependent children which accounts for more than half of all welfare recipients.

Not only are local governments unable to "control" migration, neither do they command the resources to meet the human needs involved.

Our system of welfare, both on the local and Federal level, has been the product of necessity; and, as is often the case of such products, its growth and development has been uneven and chaotic; often resulting in inefficiency and an inequitable treatment for the human beings involved.

The time is long overdue when we must recognize these problems to be national in scope, and to approach them from that perspective. This does not mean a decreasing role for local government, for it is precisely on this level that the human problems involved must be met. The role of coordination from the Federal level is necessary in terms of programming; in allocating the resources involved; and establishing uniform standards, if we are to develop a more rational system; If we are to experiment with new methods and programs; and if we are effectively to achieve the goal which we seek, of providing the foundation of our present is not a solution for unemployment as well as those involved.

To date, we have approached the well being of the less fortunate of our society on a piecemeal basis. Federal resources #+#The text is not clear what is intended here.##
welfare system—the dole, which gives people enough to keep starvation from the door, but zealously bars entrance to the gate of dignity; the dole, which is designed to constantly remind those dependent upon it of their station in life; the dole which has created a constituency many would prefer to perpetuate. 

The relationship between the proposed freezing provision added by section 208(b) of the bill and the broader definition of "dependent child" (section 202(a) of the bill), which permits an unemployed father of a dependent child to apply for AFDC payments, if that father has not worked six or more quarters or has not received unemployment compensation as defined by the bill, is to leave the family if it is to qualify for AFDC payments; yet section 402(a) of the act (42 U.S.C. 602(a)(1)(C)) defines the rate of children dependent because of continued absence from the home.

Notwithstanding the harshness of requiring a father to leave his family if it is to qualify for AFDC payments; yet section 402(a) of the act (42 U.S.C. 602(a)(1)(C)) defines the rate of children dependent because of continued absence from the home.

I have grave reservations concerning the proposed amendments adding clauses 19, 20, and 21 to section 402(a) of the bill, as proposed in section 204(b) of the bill, clause 20 would preclude assistance to any "appropriate child" over 16 years who is not in school for "good cause," as defined by the bill. As previously mentioned, section 402(b) (1) (C) (1) of the act contradicts the professed intent of the committee to strengthen family unity. Combined with the "freezing" provision, it could well result in the denial of assistance from current recipients.

The proposed amendments adding clauses 19, 20, and 21 to section 402(a) of the bill, as proposed in section 204(b) of the bill, clause 20 would preclude assistance to any "appropriate child" over 16 years who is not in school for "good cause," as defined by the bill. As previously mentioned, section 402(b) (1) (C) (1) of the act contradicts the professed intent of the committee to strengthen family unity. Combined with the "freezing" provision, it could well result in the denial of assistance from current recipients.

I point out that proposed section 409(a)(4) (D) would appear to permit a State to establish standards for health and safety applicable to such programs to be lower than those otherwise required by the Secretary.

The sliding scale formula, proposed by section 202(b) of the bill amending section 402(a) (A) of the act, permitting a State to disregard earned income in determining need, represents a vast improvement. However, the basic figure should be much higher than the recommendation of the committee.

The objections to the provisions providing for precluding assistance to those who refuse employment or participation in the community programs, as proposed by section 402(a) (C) (1) of the act, contradicts the professed intent of the committee to strengthen family unity. Combined with the "freezing" provision, it could well result in the denial of assistance from current recipients.

I, Mr. Chairman, fully approve of job training. It reflects a determination by the American people, regardless of their ability to pay, to provide for medical assistance who are not receiving such assistance because of residual medical needs. It requests that the Federal Government participate in beginning to devise conditions whereby a family's financial stability need not be threatened by the incidence of disease and illness. Section 1902(a)(10)(D) of the Social Security Act provides that under state medicaid plans which may be approved for Federal participation, medical care is not to be denied to any person regardless of age, because he, individually, cannot afford to pay the costs.

Title XIX asks that minimum standards of health care exist for all groups, regardless of their ability to pay. It asks that the Federal Government participate in beginning to devise conditions whereby a family's financial stability need not be threatened by the incidence of disease and illness. Section 1902(a)(10)(D) of the Social Security Act provides that under state medicaid plans which may be approved for Federal participation, medical or remedial care and services may be provided to persons not eligible for aid or assistance under any prior State plan by reason of excess income or resources but who have insufficient income and resources to meet the costs of necessary medical or remedial care.

The controversial point here is, of course, that some persons are included for medical assistance who are not related to traditional concepts of welfare cases. They do not carry the usual stigma of the poor—they bear the dignified title of middle class and challenge the accustomed disdain and latent hostility.
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with which most welfare programs are tolerated in our society. They upset the classical stratification to which we are
parently still fiercely cling. Perhaps the introduction of some middle-class services would raise the level of treatment for all concerned. It is this that was the historic breakthrough which occasioned by hysterical outrage in certain quarters, even among some Members of my own New York State delegation.

As my colleagues will surely remember, the 1965 amendments and its expansion and mainlly with the historic title XVIII—"medicare"—at the time that the Social Security Amendments of 1965 were enacted. Relatively little press or national attention was given to title XIX. This enabled opponents of title XIX to claim later that it was passed unknowingly by legislators who were unaware of its implications; that, if they had envisioned the "lengths" to which the New York State Plan would go, they would surely have limited its scope or refrained from its passage. This is hardly the case.

In section 1903(e) of the Social Security Act as enacted in 1965, as finally fashioned by the Committee on Ways and Means, we find the following provision:

The Secretary shall not make payments under this part of this title to a 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 in accordance with federal regulations.

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 self-sufficiency will be available to all persons eligible under the New York State plan and in the direction of liberalizing the eligibility requirements for medical assistance.

Lest there be any doubt as to the intentions of the Ways and Means Committee at that time, its report, House Report No. 213 of the Social Security Amendments of 1965 gave the following commentary: An individual found ineligible for all or part of the cost of his medical needs, the State must be sure that the individual has been measured in terms of both the State's allowance for basic maintenance needs and the cost of the medical care he requires. The State may require the use of all the excess income of the individual toward his medical expenses, or some proportion of that amount. In no event, however, may the State require the use of income or resources which would bring the individual below the cost of eligibility under the State plan.

Mr. Chairman, the meaning of title XIX is not made clear, and I must ask the credit of the U.S. Congress. Today we are faced with the dismal prospect of cutting back on welfare services and diminishing the benefits that our entire society will enjoy. A family must have a home and food; then actually available figure for 1967. The aid to dependent children—public assistance—people who, worst of all, have been led to believe that the Government has acted in their behalf only to strip away the support, which provides that a State medicaid plan approved before July 28, 1967, will be expanded to cover persons meeting the requirements in three stages. In the last 6 months of 1968, the figure is 150 percent of the appropriate financial yardstick; during 1969 it is 140 percent; and finally it reaches the required 133 1/3 percent as of January 1, 1970.

According to information obtained from the State Welfare Department, in New York State for calendar year 1966, the average per capita income was $3,480. There is an operational assumption of a 6-percent annual increase in the per capita income, but the figures do not come out until October of each year and variations are frequent. However, normal expectations lead us to estimate a possible approximate $3,689 per capita income for calendar year 1967, and $3,911 for calendar year 1968.

Should these estimates hold, the initial estimated comparison suggests that the 1965 public assistance standards will be lower than both the estimated average per capita income and that then actually available figure for 1967. The aid to dependent children—public assistance standard for a family of four for 1965 was $700 and the 1966 estimate is $708. In 1965 the cost-of-living increase per year, the estimated new standard for January 1, 1968, could be, for a family of four, $3,538, or a grand total of $832 per person, 150 percent of the estimated 1968 public assistance standard figure for a family of four, $700.

In payments to anyone whose income and resources exceed 133 1/3 percent of the State public assistance standard as defined with relation to the aid to families with dependent children program in the State.

In other words, lest anyone not be clear that this is still a welfare program and not participate with matching funds. In payments to anyone whose income and resources exceed 133 1/3 percent of the State public assistance standard as defined with relation to the aid to families with dependent children program in the State.

In estimating the immediate effect of section 220 on the State of New York, one must take into consideration the further exception under section 220(b)(2) which provides that a State medicaid plan approved before July 28, 1967, will be expanded to cover persons meeting the requirements in three stages. In the last 6 months of 1968, the figure is 150 percent of the appropriate financial yardstick; during 1969 it is 140 percent; and finally it reaches the required 133 1/3 percent as of January 1, 1970.

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Then, this would be the income level limit for New York State medicaid eligibility for the latter half of 1968—prior to further percentage reductions. The estimated new standard for 1968 would be $882 less than the State's anticipated 1967 eligibility figure for medical coverage under State plan prior to the Federal enactment. It is over $700 less than the 1967 eligibility standard under the federally approved medicaid plan which now exists in the State.

What is more, under section 220(D) (4) the Secretary shall promulgate the per capita income of each State each year, and should economic events such as recession, unemployment, and so forth, occur on any considerable scale in any given year, the yardstick for eligibility measurement could be reduced even further with the net effect that less people again would be eligible for coverage under the Federal plan. In the State then dropped people from the rolls, the State would be faced with an increased medical bill and decreased Federal support in the face of adverse economic conditions.

This possibility of fluctuation is in itself an incentive for the States to invest as little as possible in medical services. This is, of course, contrary to section 1903(e) of the Social Security Act which provides that the Federal Government shall not participate financially in a State plan "unless the State makes a satisfactory showing that it is making efforts in the direction of liberalizing the eligibility requirements for medical assistance."

The 1965 House Ways and Means Committee Report No. 213 itself said, in commenting on section 1903(e):

"This provision was included in order to encourage the continued development in the States of a broad and generalized medical assistance program...

However, the damage goes further than mere indirect pressure for reduced State effort. Section 221 of H.R. 12080 amends section 1117 of the Social Security Act by providing greater latitude, at the option of the State, in the definition of the State's previous level of effort which must be maintained. By various methods, including allowing the State to compute previous effort by money payments alone instead of money payments plus the cost of medical care, and by broadening the definition option to include child welfare, unemployment, and so forth, the damage goes further with the net effect that less people again would be eligible for coverage under the Federal plan. In the State then dropped people from the rolls, the State would be faced with an increased medical bill and decreased Federal support in the face of adverse economic conditions.

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The 1965 House Ways and Means Committee Report No. 213 itself said, in commenting on section 1903(e):

"This provision was included in order to encourage the continued development in the States of a broad and generalized medical assistance program...."
Thus, the large urban centers, now in crisis with untenable overcrowding will continue to face a migration of people who seek improvement in their condi-
tions of life. Even in New York, with the great financial strains its own budget shows, and in particular the political pressure that has mounted almost Implausibly, the amount to be authorized (1) through the 20th section of the Social Security Act is hoped to be withdrawn. They are as well consuming of the time and energies of already overburdened personnel. In this particular instance, the amendment is a limitation on the scope of liability under the pre-
mise that medical services should be readily available to all who need them without undue redtape and unwarranted fa-
mous. 

Section 230 of H.R. 12080 is a very questionable provision which has possible implications for serious protest on the part of some medical assistance recipi-
nts who might feel that they are not receiving equal treatment under the law. 

Section 1905 of the Social Security Act entitled “Definitions” now reads:

(a) The term “medical assistance” means payment of part or all of the cost of the fol-
lowing care and services...for individuals who are-

(b) The term “medical assistance” means payment of part or all of the cost of the fol-
lowing care and services...for individuals who are-

Section 230 of H.R. 12080, which bears the title “Direct payments to certain recipi-
ents of medical assistance,” would amend section 1905 to read:

(a) The term “medical assistance” means payment of part or all of the cost of the fol-
lowing care and services...for individuals who are-

(b) The term “medical assistance” means payment of part or all of the cost of the fol-
lowing care and services...for individuals who are-

Thus the original provisions may be diluted at the option of the States.

Section 250 of H.R. 12080 would amend section 1902(a) of the So-
ocial Security Act by adding a paragraph 25 which provides:

(A) That the State or local agency admin-
istering such plan will take all reasonable measures to ascertain the legal liability of third parties to pay for care and services; and

(B) That the State or local agency admin-
istering such plan shall have the authority to recover from any third party an amount equal to the amount paid by the State for care and services received by the individual and his dependents.

I think at this stage in our Nation’s history, the problems raised by this in-
clusion are self-evident.

President Johnson said in his health message of February 10, 1964:

The American people are not satisfied with better than-average health. As a nation, they want, they need, and they can afford the best of health—not just for those of comfortable means—but for all our citizens, old and young, rich and poor.

Apparently Congress does not recog-
nize this vision.

Mr. LANDRUM. Mr. Chairman, I yield 3 minutes to the gentleman from Texas (Mr. Gonzalez).

(Mr. GONZALEZ asked and was given permission to revise and extend his re-
marks.)

Mr. GONZALEZ. Mr. Chairman, the social security program is today of vital importance to practically all Americans. For this reason, I am highly gratified that the Committee on Ways and Means has given thorough study to many pro-
posed amendments aimed at improving and strengthening this program. The scope of this bill recognizes that laws dealing with social security are the most constant attention to make sure that the provisions keep up to date with changing times.

I take this opportunity to congratulate the members of the Committee on Ways and Means and its very capable chair-
man, the gentleman from Arkansas, for reporting out this fine and comprehen-
sive bill. It contains some excellent pro-
visions and support is full.

I would, though, like to see an additional proposal included in the bill. One large group in our society will not share or will share only partly in the valuable protection provided under this bill dealing with social security protection. This is a clear need to improve the social security protection of hired farmworkers in our Nation.

For years farmworkers, especially the large number of seasonally employed workers whose employment is deter-
dented by the calendrical opportunities but by the calendar, have been denied the social security protection available to most other workers. A large proportion of farmworkers have part-time employment at relative-
ly low pay. Their wages from a single farm employer are not high enough to meet the present farmworkers coverage test and hence none of their wages are covered. They thus is a clear need to improve the social security protection of hired farmworkers.

H.R. 5710, containing President John-
son’s proposals which the Committee on Ways and Means and its very capable chair-
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sive bill. It contains some excellent pro-
visions and support is full.
recommendations made by President Johnson.

What we are doing in the present bill is, of course, not a trivial thing. This bill contains sound provisions. It makes improvements that will certainly help a great many men, women, and children.

But I cannot believe we could not do better. That is certainly the impression created by President Johnson strongly appealed to me as justifiable, badly needed, and, at the same time sounded prudent. In all respect raising the general level of benefits could be done here. The bill we have before us, It would provide a very substantial and meaningful increase in the minimum benefit under social security. The bill we have here would increase this minimum by $6 a month—to a total of $50. My very strong view is that this is simply not enough.

We have far too many people, all across this rich and prosperous country, who are struggling along from day to day and month to month, trying to stretch this minimum social security benefit to make it far far better to see how they do it at all and I would very much like to do something about it. Almost equally disappointing to me is the fact that the bill does not follow President Johnson’s recommendation to give medicare protection to the unfortunate men and women who are severely enough disabled to qualify for the social security disability benefits. They are many single men, women and children, who are to amount only to a small proportion of the number of people over retirement age who now have medicare coverage.

These disabled people, Mr. Chairman, surely stand in as great a need of protection against the awful and ruinous costs of severe illness and hospitalization as any group of people in the country. The very fact that they qualify under the social security law’s definition as disabled people means that they have lost the capability to do any substantial work. For the most part, they and their families are dependent on a bill giving out social security disability benefits they get. The average monthly benefit for a disabled worker is now $98. On an income that figure of get benefits based on this minimum even with the earnings base of $3,000 a year. This would enable more and more people to pay social security taxes on all of their earnings and therefore qualify for benefits for themselves and their families. In an amount bearing at least a relation to their realized earnings and accustomed level of living.

I dislike adding taxes as much as anyone but I feel very strongly that the amount that would be affected by this increase in earnings base would want to pay the modest additional tax involved in order to assure themselves of the higher benefits and greater protection for their families.

We will pass the bill today and I think by an overwhelming majority. But I hope that before it is finally enacted it will be strengthened and brought much closer to line with President Johnson’s recommendations.

He would not give us a set of recommendations that were in any way impractical or far fetched. Instead my study of them convinces me that they were prudent, reasonable and well within our capacity to afford. I would very much like to see them adopted and their benefits brought at the earliest possible date to the men, women and children in every part of the country whose circumstances are such that they look eagerly to this social security structure for the means of making their lives and conditions a little bit better and easier.

Mr. DONOHUE. Mr. Chairman, although many of us here have grave doubts that this bill gives an increase in and expansion of benefits, as well as serious misgivings about the possibility of extreme hardships, however much unintended, developing from the proposed revisions in the present welfare and public assistance programs, as presented in this bill, H.R. 12080, the Social Security Amendments of 1967, I very readily pass judgment on the overwhelming approval by the Committee as a further, even if somewhat faltering, step along the right road of legislative concern for a major segment of the American nation. I are its approval because, under the procedures being followed today, we are afforded no opportunity to alter the measure by amendment action; it is either this bill or no bill.

In general, the bill would principally provide an increase of 12 ½ percent across the board in current social security benefits for some 35 million of our old age, survivors, and disabled beneficiaries, an increase in the monthly benefit of $50; an adjustment in the earnings base so that the retirement benefit of a man 65 and his wife will be at least 50 percent of his average earnings under the social security program; a limited increase from $35 to $40 a month in the special payments now granted to citizens 72 years of age or older who did not work long enough to qualify for the regular benefit; an increase, much too moderate in my opinion, of committee members here, from $1,500 to $1,680 per year in the amount an individual may earn and still be able to collect all of his social security benefit payments, and it would provide monthly cash benefits for disabled widows and disabled dependent widowers at age 50 at reduced rates.

The bill also attempts to provide certain other improvements in the health insurance benefits, the system of doctor payments by medicare patients, and the administrative procedures affecting hospital and medical care for eligible persons.

Despite the widely held deep convictions about serious shortcomings and possible projection of real hardships in many parts of the bill, I am sure that the overwhelming record of progress in the challenging legislative area of establishing an adequate social security system for our American people.

Let us, then, Mr. Chairman, accept this bill now while at the same time we pledge ourselves to its strengthening, liberalization, and expansion to more fully meet the economic needs of the public operation of the various Federal and Federal-State Joint programs. The dedication and industry of the committee is unquestioned and the overall impact of the bill does contain a certain, if limited, measure of progress in the challenging legislative area of establishing an adequate social security system for our American people.
In the area of health insurance, I was pleased to see significant changes, particularly the new provision permitting the physician to submit his itemized bill directly to the insurance carrier for payment. This will avoid the present undesirable situation whereby the doctor refuses to accept the assignment of the right to reimbursement because he will not agree that his total bill will not exceed the reasonable charges under the medicare program. This results in serious financial hardship for the patient who is not in a position to pay the fee in advance of medicare reimbursement. Since medicare was designed primarily for individuals of this economically deprived class, the new method of billing will eliminate a gross injustice that has been imposed upon them.

I approve the changes in this program of aid to families with dependent children. For the first time, this program will be characterized by the positive approach of working with the members of the family and not against them, and off welfare. The States will be required to establish a comprehensive program to get employment for the adult members and older children not attending school. In the past, the State would be required to set up job-training programs, to set up day-care services when needed for children of mothers who are working or training, to offer family planning services, to establish programs designed to reduce illegitimate births, and to try harder to make deserted fathers support their families. An editorial discussing the progress of the program in the Appendix appeared in the Plain Dealer of August 15, 1967, which I am inserting in the Appendix of today’s Record. This editorial disapproved the compulsion features.

The most significant change in the public assistance section will permit each State to have an earnings exemption for each person. This provision will become mandatory for each State after July 1, 1969. Under this provision, the first $30 of earned family income plus one-third of additional earnings would be retained by the family. I have favored legislation of this type for quite some time and feel that it is of paramount importance to give such an incentive to these people so that they will be stimulated to seek work. Thereby, those who help themselves will have their efforts rewarded.

The passage of these amendments will profoundly affect millions of our citizens. I believe that each recipient will be benefited by the changes. I urge each of you to support this bill.

Mr. PHILBIN. Mr. Chairman, this was a very difficult bill to write and to handle on the committee, esteemed chairman of the committee, and his fellow members, have done a very commendable job. And among the fine presentations was that of my dear, able friend and esteemed colleague, Congressman JAMES A. BURKE.

His speech was of the highest order—well documented, well conceived, and well delivered. Moreover, his total contributions in the great Ways and Means Committee, and in the House, constitute a very impressive, convincing, and most valuable effort that has greatly helped the passage of the legislation. He deserves special commendation for his untiring, effective labors for the dependent children and other needy groups in our society.

The bill will eliminate a gross injustice that has been imposed upon them. I am particularly pleased that the committee has seen fit to include among the amendments one which my esteemed colleague the gentleman from Ohio [Mr. Vernon], and I had particularly believed necessary.

The amendment we proposed will ease the burden of payment on some medical recipients, thereby remediying a serious difficulty which has arisen since the enactment of the medicare program in the 89th Congress.

In the area of health insurance, I was profoundly affected by the changes. I urge each of you to support this legislation.

Mr. ZABLOCKI. Mr. Chairman, I rise in support of the legislation before the Committee today, the Social Security Amendments of 1967.

The bill which has been reported from the Ways and Means Committee is a wise and prudent one. It gives every evidence of having been carefully thought out and drafted.

I am particularly pleased that the committee has seen fit to include among the amendments one which my esteemed colleague the gentleman from Ohio [Mr. Van Wyck], and I had particularly believed necessary.

The amendment we proposed will ease the burden of payment on some medical recipients, thereby remediying a serious difficulty which has arisen since the enactment of the medicare program in the 89th Congress.

In the area of health insurance, I was profoundly affected by the changes. I urge each of you to support this legislation.
If such welfare assistance must be given, then let it be done from general revenues and not by taxing the judiciary.

After giving the bill before us today my careful study, I am convinced that it preserves the concept of an actually sound, self-financing insurance system. At the same time, it provides needed increases to our elderly citizens in order to help their incomes and standards of living to keep pace with the inflationary trend of the times.

Overall, Mr. Chairman, the measure is a good one. It does not have everything that some might have wished. At the same time, it provides what substantially is our need.

In the light of present national economic conditions and prospects, it appears more was not possible.

In conclusion, I want to commend the very able chairman of the Ways and Means Committee, the gentleman from Arkansas (Mr. MILLS), the ranking minority member, the gentleman from Wisconsin (Mr. BYRNES), and the rest of our colleagues serving on the Ways and Means Committee for having reported the bill to the House so practical and effective a measure.

Through their diligence and dedication millions of elderly Americans now otherwise lost will be aided. Let us, then, add our own essential contribution to theirs by swiftly approving H.R. 12080, the Social Security Amendments of 1967.

Mr. Chairman, it is regrettable that this bill comes before us under a closed rule. This is a typical case where a modified closed rule would have been in order. There are many things in the bill that this Committee should take under a view with a view to changing them, if that is the will of the Committee.

Under the present procedure, however, we must either vote for the entire bill or against it. I will vote for this bill on final passage with great reservation and with even more hope that when the bill gets to the other body it will be improved in the Senate. If not entirely exempted to this House by the Congressmen, it will be a better bill than we send to the other body.

I appreciate the hard work that Chairman and his distinguished colleagues serving on the Ways and Means Committee have done in connection with this bill and commend them therewith. This does not mean, however, that other members of this Committee should not have the right to propose on the floor what they think are improvements to the bill and, after debating those proposals, that the House work its will with regard to these improvements.

To mention but a few of the issues that I in my opinion need correction, I list the following:

1. The increase of minimum social security payments from $44 to $50 is inadequate. This sum should be higher.

2. The sums that may be earned by recipients of social security benefits should be on the level. If not entirely exempted the sum should be in excess of that presently provided.

3. As indicated by our distinguished colleague, the gentleman from New York (Mr. CASZER), the public assistance program provisions in this bill should be carefully examined and improved.

Mr. Chairman, as indicated by our distinguished colleague, the gentleman from New York (Mr. GRUMMAN), the medicaid provisions of this bill are far from satisfactory and can be improved.

There are other provisions in the bill which I will not take the time to enumerate requiring the attention of the full House.

Mr. Chairman, I have reviewed the bill reported out by the Committee on Ways and Means, and I intend to support it. I urge my colleagues to do likewise.

I do this with some hesitation, because it is my firm conviction that the proposals offered originally by the President were sound and just, and that they were preferable to the provisions of the bill on which we are to vote.

Certain needs involved here that are self-evident, and we should stretch every effort to meet them, for they concern the lives and hopes of men, women, and children across the land. The President has done more than anyone else to advance them, and the committee bill would have done much farther in meeting these needs than this bill will do. They were more attuned to the needs of our times.

No one seriously questions the need to provide an increase in social security benefits. The increase proposed by President Johnson was a truly substantial one that would have lifted many social security beneficiaries out of the poverty level. The committee bill provides an increase that will be of real help to beneficiaries but will not meet the broader objectives of President Johnson's proposals.

Similarly, there can be little doubt that the disabled person under retirement age, frequently with young children, is among those hardest hit by hospital and medical expenses. President Johnson's proposal would have provided much needed help for these people by covering them under the health insurance program. The committee's proposals do not require that the feasibility of this step be studied. It has already been studied; there is no time nor need for further study which means only further delay of a step that could have been taken today.

Despite these and many other short-comings of the committee bill we must vote for it. We must pass it. The provisions of the bill are too limited; but even so, they represent a degree of improvement. Since we may not amend the bill on the floor, we must vote on it—and pass it—as it has been reported.

In particular, there are three provisions that have been retained as they are in H.R. 5710. The most important, of course, is the benefit increase. Under H.R. 12080 monthly benefits for the retired person who began to draw benefits at age 65 or later would range from $50 to $59.80, while under President Johnson's proposal the benefits for these workers would range from $70 to $163.30. The ultimate maximum benefit would be raised from $168 to $283 under H.R. 5710, rather than $212 under H.R. 12080. The benefit program would provide a family with a base so the base has been raised a number of times over the years, it has not kept pace with rising wages. In fact, it would take a base of about $20,000 to re-store the situation that existed in the early years of the program under the $1,000 base. This means that over time a smaller and smaller proportion of the Nation's payrolls have been available to the modern worker for more workers are getting social security bene-
fits that are related to less than their full earnings.

The three-step increase in the base that the President has recommended—$10,800 ultimately—would be a major step in recapturing the ground we have lost over the years through failure to adequately adjust the earnings base and I want to express my concern that fact that the committee cut back so substantially on this provision.

Nevertheless, in spite of these shortcomings, we have here a bill that does make substantial improvement on the social security program. In passing the bill, however, we must not delude ourselves into thinking that we have disposed of the problems involved. We must keep in mind the broader goals which this bill does not achieve. And we must work quickly to achieve these goals through legislation more closely in line with what many of us feel are the more closely related to the needs and objectives of the three lives we live.

Mr. TUNNEY. Mr. Chairman, I rise in support of the Social Security Amendments of 1967 which provides for a 15-percent increase in full benefits for more than 24 million Americans.

An increasing number of our population joins the ranks of the senior citizens each year. The number of older people has tripled since 1950. Today, over 3 million aged couples earn less than $3,000 a year, 1.9 million less than $2,500 a year, and 5.7 million live on less than $1,800 per year.

These figures represent a national challenge—one that we must now meet by passing this legislation, which represents a minimal effort to allow our senior citizens to live out their later years with dignity and security. We must all recognize that much more is needed and that the social security program must continually be updated and improved to meet the every increasing and constantly changing needs of the American family.

Under the Social Security Amendments Act of 1967 average monthly benefits paid to retired workers and their wives is increased from $145 to $164 and minimum monthly benefits from $44 to $50. Monthly benefits would range from $50 to $159 for retired workers now on the social security rolls. The special benefit payment for the certain uninsured individuals age 72 and over would be increased from $35 to $40 a month for a single person and from $52.50 to $60 for a couple.

The bill increases from $1,500 to $1,600 the personal income limit above which a person may earn without the loss of social security benefits. Although this is far from adequate it does represent a step in the right direction. I introduced a bill to raise the amount to $3,500 which I feel is a much more realistic figure.

Even the improvements the medicare program by increasing hospitalization coverage from 90 to 120 days. It also allows a patient to submit an itemized bill for payment under medicare rather than having to pay the bill first and then submit a paid receipt for reimbursement. Senior citizens, with a low income to begin with, cannot afford to delay decisions on high medical costs and then wait for reimbursement under medicare.

I am particularly pleased that this bill requires the Secretary of Health, Education, and Welfare to develop a program to assist in the cost of living. Yet serious delays and problems of medicare. Although the program has now been greatly improved I feel that further streamlining is needed.

Mr. BINGHAM. Mr. Chairman, one of the most significant changes made in the Social Security Amendments of 1967 was the creation of the National Health Insurance program for State medical assistance programs under title XIX. I vigorously oppose that cutback and fought to get permission to offer a second amendment to delete that restriction on State programs for the medically indigent. My own State of New York would lose $29 million the first year, $40 million the second year, and $50 million the third year in Federal money. And it would lose such large sums because it had acted, in all good faith, on the Federal Government's 1965 promise to help fund State programs. Moreover, we are now tied to that second amendment using Federal requirements and restrictions to downgrade State programs and reduce their effectiveness.

The penalty that New York, among other States, is paying for its own progressive and humane spirit is well described in an editorial of July 24, in the National Observer, which I insert in the Record for the benefit of my colleagues:

A LOOK AT MEDICARE

Medicare payments in the next couple of years—at the time of its enactment into law, at the time it went into effect, and, this summer, at the time it observed its first anniversary. The largely unknown companion program, medicaid, a Federal-state endeavor providing medical and hospital treatment for many people who were once the responsibility of the states; the progress in the past year, detailed on Page

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Medicare payments in the next couple of years—at the time of its enactment into law, at the time it went into effect, and, this summer, at the time it observed Its first anniversary. Still the spirit turns out to be not so grand, with the senior partner proposing to change the partnership agreement. This must surely be a case of junior partners not being sure what kind of future there is in creative federalism after all.

Mr. TAFT. Mr. Chairman, I have today supported the Social Security Amendments Act of 1967 as reported by the Ways and Means Committee and as passed by the House of Representatives.

In supporting the bill, I am not entirely happy with the tax increase that will be called for both in the way of a rate increase and in the way of an increase in the tax base. Both of these steps are necessary to put the additional burden upon individual employees in the nature of a direct tax at a time when many of them, because of the increase in the cost of living, will find this very onerous. Also, I am not entirely happy that the bill fails to include in it a proposal made by Republican leadership sometime ago that any social security benefit increase in benefits tied to the cost of living.

However, the benefit increase is long overdue, since there has been an increase of almost 30 percent in the cost of living since any increase in social security benefits. The 12%-percent increase that we have voted seems justified in view of this delay and the resulting lag in income of our pensioners in this country, many of whom could ill afford it.

There are other provisions of the bill which I think are extremely commendable and were important in obtaining my support. Particularly, I was happy to see passed a provision providing some matching fund to those on welfare to get into the employment market. I was also happy that they obtain earnings in addition to their welfare payments. Under the bill as passed, a person on welfare would be able to earn $300 per month, plus one-third of any amount in excess of $30 per month without having to deduct it from any benefit payments under welfare. There are also other provisions designed to encourage the rehabilitation of those on welfare through training.

The increase in the earnings exemption for those over 65 to $1,680 per year is a move in the right direction, although
perhaps not far enough. However, it seems to be as far as it was possible to go at the present time without a tremendous additional drain upon the system.

I am also happy to see some limitations put upon title XIX, the medicare provisions of the bill to prevent a raid on the Treasury by States such as New York, which put income limits which were too high in the qualification sections and attempted to hog most of the funds available for this purpose.

Mr. ANDERSON of Illinois. Mr. Chairman, I rise in support of H.R. 12080, the Social Security Amendments of 1967. While the measure is not 100 percent to my liking, I think it does bring a long overdue and most welcome addition in monthly cash benefits. This will, to a great extent, assist retirees who have fallen behind the cost-of-living as a result of the inflationary spiral which we have witnessed in 1968 and 1967. As I testified when I appeared before the Ways and Means Committee, my regret was that a cost-of-living hike was not granted when it was glaringly obvious that our social security retirees had fallen victim to the rising cost-of-living.

One disappointment is that my proposal to provide for automatic cost-of-living increases was not implemented by this bill. So that whenever inflationary conditions prevail as they have these past years, there will continue to be this time-lag between the erosion of purchasing power of this group and the achievement of parity for them with the cost-of-living.

I do want to commend the committee for taking another step in increasing the earnings limitation if only to the extent of lifting the limitation by $180 a year. I would urge the committee to give some further thought to raising this earnings limitation to at least $3,000. Many of my constituents had written me, pleading for the opportunity to be more self-sufficient, and any further earnings limitation was a terrible disincentive and too confiscatory in nature. Apartment and house rentals consume a good portion of their budget. Those who have been fortunate enough to have a better years must resign themselves to this reduced income state. This leaves them with little or nothing for home maintenance, taxes or repairs. Those who are willing and able to work to supplement their income to improve their standard of living and to update their place of abode ought to be provided with the assistance that the earnings limitation of $3,000 would provide.

In addition to other improvements made by the bill now before us, I was impressed when I appeared before the committee for the improvements recommended in the public welfare program, the implementation of which can reasonably be expected to restore a good many more people to a useful and productive role in our society.

Mr. EILBERG. Mr. Chairman, early in this session, President Johnson forwarded one of the most important improvements in domestic policy, a proposal to reform our social security system. In his message to the Congress, he emphasized:

Social Security benefits today are grossly inadequate. Almost two and one-half million individuals receive benefits based on the minimum of $44 a month. The average monthly benefit is only $45.

In my opinion, Mr. Chairman, these figures could not even begin to allow decent living standards to the millions of Americans whose benefits are the only source of income. Yet, the Social Security Act was enacted into law for the precise purpose of providing our senior citizens basic economic security and dignity in their twilight years. The President's recommendations to increase benefits are a worthy attempt to provide retired workers a decent standard of living. However, the revised bill has all but destroyed this revolutionary proposal.

For example, the President called for an across-the-board increase of at least 15 percent. Yet, the bill now provides for an increase of only 12½ percent, with the minimum monthly benefits to be raised from $44 to only $50.

These increases are not sufficient to meet the cost of today's living.

One of the most controversial provisions of the Social Security Act is the limitation on the amount of money a person may earn without suffering deductions from the insurance benefits payable to him.

Under the present system, each beneficiary for whom nonwork income, such as interest or dividends, is received will have his retirement benefits reduced by $1 for every $2 of nonwork income. In addition, those who draw nonwork income, either as earnings or as dividends, may earn no more than $1,680 a year without suffering reduced benefits. Under H.R. 12080, this amount is increased only to $2,010 a year or $140 a month. This small increase is insignificant.

And I believe the retirement test operates in an unfair manner, since it applies to persons who draw nonwork income but not to those who draw no work income. Obviously, people who receive minimum benefits and have to work are the chief victims of this restrictive law. Title II of the act should be amended to increase to at least $3,000 the annual amount an individual is permitted to earn without suffering deductions from the insurance benefits payable to them.

Another particularly disturbing feature in this bill, Mr. Speaker, is that widowed fathers with minor children have been completely ignored. Those who are willing and able to work and to supplement their income to improve their standard of living and to update their place of abode ought to be provided with the assistance that the earnings limitation of $3,000 would provide.

Yet, despite the bill's shortcomings, Mr. Chairman, I am pleased to join my colleagues in support of the Social Security Amendments of 1967. Mr. Rhodes of Pennsylvania. Mr. Chairman, I wish to speak in support of H.R. 12080.

I wish also to take this opportunity to commend and congratulate the great chairman of the Committee on Ways and Means, the honorable gentleman from Arkansas, on this bill which makes improvements in the social security program.

I count it a high privilege to serve on this committee under his skilled and able leadership.

I am particularly glad that the bill provides for an increase in social security benefits. The increased benefits will help not only the many millions of people who are living in poverty, but all because they are on the necessities of life, they are of direct benefit to the merchants and businesses in the communities where these beneficiaries live.

I believe that we should see a larger benefit increase provided, such as President Johnson recommended. It must be remembered that the aged constitute a high proportion of those who are categorized as poor. In addition, the overwhelming majority live on fixed incomes and hence the inflationary and cost-of-living elements are far more keenly felt.
The speakers who have preceded me have explained in some detail the other improvements that H.R. 12080 would make in our social security program—our Nation's chief program for preventing dependency when family income is cut off by old age, disability, or death. I endorse these proposed improvements.

I am glad that the bill provides improvements for the clergyman—provisions I strongly supported the enactment of that program, and it is gratifying to see it working out so well. H.R. 12080 includes my proposal to extend coverage under the medical insurance plan to the services performed by doctors of podiatry. These doctors perform a much needed and valuable service for the millions of older people who are so susceptible to diseases affecting the extremities. There has been a good deal of opposition from some church organizations on their behalf, in getting more adequate protection for clergymen. I am pleased that the Ways and Means Committee has acted to include my proposal on their behalf.

Under present law, clergyman cannot be covered under social security unless they elect coverage by filing a certificate before any specified deadline—in general, within 2 years after entering the ministry. Over 60,000 clergyman whose major activity Is in the ministry, and many others who serve part time in the ministry, have been helpless to show that his ministry would be covered automatically unless he states that he is conscientiously opposed to social security coverage on religious grounds. Indications are that few clergyman are conscientiously opposed to coverage. Thus the proposed provisions should substantially improve the coverage and protection for clergyman.

Mr. Chairman, in my view H.R. 12080 is another step toward our national goal of providing security and adequate medical care for our Nation's aged and disabled citizens. However, while the bill does evidence progress, it falls short of the proposals made by President Johnson and the improvements which I believe to be necessary.

I favor the $70 monthly minimum benefit proposed by the President. I was disappointed with the $50 minimum, and the inadequate general increase, of 12 1/2 percent. I say this, because for many elderly professional men, social security is their only source of income. A $50 monthly benefit is shamefully low.

It seemed to me that the age requirement for retirement benefits should have been lowered to 60 years for both men and women. Such a provision would make possible the retirement of many persons over age 60 who are anxious to retire, particularly for physical reasons, but cannot afford to do so without an income.

Retirement at age 60 would also be a factor in opening up job opportunities for the unemployed which is especially important in meeting problems which lead to trouble in many of our cities.

The requirements for disability benefits need to be liberalized. Present law calling for 20 quarters of coverage denies benefits to many disabled citizens. Many of them have families and are living in poverty.

Mr. Chairman, I am aware that before any of these really substantial improvements can be made in the social security program, we must give serious consideration to the issue of the cost of financing.

In an attempt to deal with this problem, I have introduced legislation in the last Congress and again in this 90th Congress which would make one-third of the revenue necessary for our social security program come from general revenue.

If the elderly and the disabled are to be fully from the economic gains of our society, we must devise a method to finance adequate social security benefits without putting an undue and heavy burden on wage earners. The use of the general Federal Government seems to be the most equitable way to resolve the problem.

It is difficult to see how social security benefits can be made adequate and other needed Improvements made until Congress adopts this or a similar plan to help finance the program.

It is inevitable I believe that some compromise insurance on it. Most of the Western democracies provide significant general revenue financing for its system of social security.

I support this bill because I believe it is the right thing to do regardless of circumstances. There is some hope that the other body will make some additional improvements. This is a compromise bill. It is far short of what the President requested and what some of us wanted, but it is an improvement over the 8-percent increase in benefits proposed in the original Republican bill.

Unlike the last Congress, the 90th is far more concerned and less sympathetic to the social security program and efforts to improve it.

Social security has always been a controversial issue. From the very beginning Congresses have made many dire predictions. They said it would ruin the people, destroy initiative and bankrupt the Nation.

Despite the success of the social security program in assisting the elderly, the disabled and dependent children and strengthening our economy, similar dire predictions are still being made to block efforts to improve the program.

I strongly supported the enactment of H.R. 12080. In my opinion this comprehensive bill is a very responsible piece of legislation that provides a forthright and realistic approach to the problems with which it is concerned. The bill liberalizes those provisions of the Social Security Act that are needed. At the same time it tightens those provisions that have shown should
be tightened for effective implementation. H.R. 12080 touches upon virtually every title of the act, but I shall mention only a few of the highlights.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM (OASDI)

H.R. 12080 calls for a 12 1/2-percent across-the-board increase in OASDI benefits. For retired workers now on the social security rolls benefits would range from $50 to $180 a month instead of the present range of $44 to $142 a month. Thus, the importance of this proposal to persons on a fixed income during the current period of rising prices is obvious, especially since social security payments are the major source of retirement income for the majority of the aged beneficiaries.

The bill also proposes changing the formula for computing benefits so that benefits will be more closely related to wages and the sharp disparity between pre-retirement and retirement income will be lessened. For example, under the present law, a child aged 16 years or more and 25 percent of the average monthly wage; an aged couple's benefit based on an average monthly wage of $550 is equal to only 46 percent of this wage. Under the proposed computation formula, an aged couple would receive benefits equal to 88 percent of a $150 average monthly wage and almost 52 percent of an average monthly wage of $550.

Under H.R. 12080, the annual maximum earnings base on which social security taxes are levied would be raised from the present $6,600 to $7,600. Thus, benefits would be related to a larger portion of the earnings of persons who have earnings above the present base. The initial earnings base covered full earnings of about 75 percent of the workers; under the bill, the full earnings of only about 75 percent of the workers, and this ratio will decline as earnings continue to rise. As you know, the earnings base is not only important for the benefits which may also be tax deductible for the program's financial structure. If the higher base is adopted, only the slightest increase in the contribution rates will be necessary to finance the OASDI and the health insurance—H—amendments called for in the bill.

In the field of disability, H.R. 12080 calls for more specific guidelines to point out the importance of medical factors in determining the degree of disability which must exist in order for a person to qualify for disability insurance benefits. The bill also introduces a new feature into the disability program by providing for the first time benefits to dependent widowers who are disabled who have attained age 50. It also provides a less stringent insured status test for persons who become disabled before age 31. The present 5-year work requirement applied to all ages and liberalizes the benefit income that may be received by persons eligible for disability payments under both social security and workmen's compensation.

Included among the other provisions of H.R. 12080 that affect OASDI are a liberalization of the insured status requirements for a mother in order for her child to be considered her dependent at the time of her retirement, death, or disability. The amount an individual may earn and still get full benefits.

HEALTH INSURANCE

The provision of H.R. 12080 that permits a third alternative for paying physicians' claims under a supplementary medical insurance program, I think, is one of the major improvements the bill makes to the medicare program. At the present time, if a physician is allowed to accept an assignment from his patient and collect payment on his patient's behalf, the patient must first pay the physician and present a receipted bill to the carrier before he is reimbursed. This of course can work severe hardships on those who do not have the wherewithal to advance the payment. H.R. 12080 provides an alternative whereby the patient can get his doctor's services free before receiving reimbursement from the carrier. I also strongly support the proposal to permit the Department of Health, Education, and Welfare to experiment with the needs of paying hospitals which would provide them with incentives for keeping costs down while maintaining the quality of care.

H.R. 12080 calls for increasing the number of hospital days permitted in a spell of illness from 90 to 120 days and for more lenient transitional provisions for eligibility for hospital insurance for uninsured persons who become 65 after 1966.

H.R. 12080 provides various methods to simplify the administration of the medicare program and to simplify billing for hospitals.

PUBLIC ASSISTANCE

One of the most courageous and constructive portions of H.R. 12080, in my opinion, lies in the bill's amendments to the program of aid to families with dependent children. The proposed legislation, which has aroused much criticism, is a principal goal of the amendments is to make people on the AFDC program self-sufficient so that they may no longer require public assistance. To accomplish this objective, the bill would require States to provide AFDC adults and older children not in school with vocational counseling and training and to provide day-care services to AFDC working mothers. As a work incentive, States would be required to exempt a portion of the income earned by AFDC recipients so that this income may be reduced by the total amount of their earnings. The bill modifies the optional unemployed fathers program to provide uniform eligibility requirements and tightens the program to assure that the unemployed find employment as soon as possible. More generous Federal matching would be provided to help the States implement these requirements.

Another purpose of the amendments in regard to the AFDC program is to reduce the incidence of illegitimate births and to prevent the neglect and abuse of children. States would be required to provide improved prenatal and postnatal services to those who desire them; they must provide protective payments if parents or relatives are incompetent or irresponsible; and they must provide direct vendor payments where cash payments to a parent or relative would be detrimental to the welfare of the child.

States would be required to bring to the attention of the proper legal authorities unsuitable conditions for children and develop programs to establish the parent of illegitimate needy children and aid in securing support from the fathers for these children.

H.R. 12080 also calls for modifying title XX-medicaid—in order to establish certain limits on Federal participation in the program and to make it administratively more flexible. The bill also expands and improves the child welfare and child health programs in the Social Security Act, which I have strongly supported. One new public assistance feature which I find interesting and helpful is the proposal calling for 50-percent matching payments to States to meet costs of up to $500 to repair the home of a public assistance recipient if the home otherwise would be in an unsuitable condition for children and develop a program to establish the parents of illegitimate needy children and aid in securing support from the fathers for these children.

Mr. SMITH of Oklahoma. Mr. Chairman, I rise in support of H.R. 12080, which will provide an across-the-board increase of 12 1/2 percent in social security benefits for those persons in our country who are seriously injured due to the Great Society inflationary fiscal policies. Last year alone, the cost of living rose 3.3 percent, cash benefits have fallen 7 percentage points behind the Consumer Price Index and, in my opinion, it is a sad state of affairs that the administration has delayed action on this bill for so long.

Further, I approve this measure in that it increases the amount a person may earn and still receive full benefits. "The present earning ceiling is totally inadequate to meet the needs of the States. The increase that has been proposed by this bill reflects the financial reality that exists in our country today because of the present inflationary period."

I want to commend the honorable chairman of the Ways and Means Committee, the Honorable WILBUR MILLS, of Arkansas, and all the members of his committee, for their recommendations which we hope will correct the tremendous problem which exists in the administration of the payments of moneys to our welfare recipients. There will be a roll call of our country's taxpayers if something is not done about this business of "taking from the have's and giving to the have-not's." It is, in my opinion, good that the Ways and Means Committee has put some teeth into this legislation that will insist that irresponsible parents will be properly dealt with, and that the courts will be called upon to rule in cases of willful neglect involving children.

In the past 10 years, the aid to families with dependent children program has grown from 460,000 families that included 2.4 million recipients to 1.2 million families that included 3.5 million recipients. It has been estimated that Federal funds allotted to this program will
rise from 1.6 billion to 1.84 billion over the next 5 years unless this constructive and concerted action is taken.

I approve of this bill in that it would restore more families to employment and training by making some substantial changes to the present program. This bill would establish a program for each AFDC adult or older child not attending school which would equip them for work and place them in a job. Those who refuse such training without good cause would be eliminated from the rolls. This bill would establish a community work and training program throughout each State by July 1969, and provides that protection payment and vendor payments would be made where appropriate to protect the welfare of children. It further provides day care for children of adult members of the family in order to allow the adults an opportunity for training and employment. Of particular importance, this bill provides an earning exemption to provide incentives for work by AFDC recipients. At the present time, there is no provision in the Social Security Act to provide this sort of assistance to older workers. The plan I have proposed would permit employers to retain their earnings. This is a serious defect which this measure attempts to cure. The number of assistance recipients who take work or enter into a program can be decreased if the proper incentive exists. I certainly support the adoption of a work incentive provision.

Mr. Chairman, in my own State of Oklahoma, which has been said to be at the top of the welfare recipient rolls, particularly in the area of aid to dependent children, I know that our State legislature and the people of Oklahoma will welcome the provisions of this act pertaining to this particular problem.

It is my hope that the additional taxes which will be required to support this important bill, this program can be counterbalanced by the training incentive programs which this bill contemplates, which in my opinion, will in the long run be more productive than the welfare rolls and place them in a productive environment as taxpayers instead of taxtakers.

Mr. REID of New York. Mr. Chairman, this bill does an injustice to those Americans who most critically need Federal assistance; it shortchanges our senior citizens and other needy Americans.

Although the bill would effect a 12½ percent increase across-the-board in social security benefits, in my judgment, this will be inadequate to meet fully the needs of our older citizens. Moreover, the bill fails to take meaningful action to permit social security recipients to earn more than a nominal amount of supplemental income without sacrificing their benefits. Under present law, a beneficiary of social security may receive up to $1,500 in earned income without foregoing any of his benefits. For each $2 over this amount, the benefit is reduced $1. If a recipient makes $2,700, the recipient forfeits $1 of social security. Above $2,700, the loss is $1 in social security benefits for each $1 in earned income.

In my humble display of what can only be called tokenism, the committee in its wisdom saw fit to recommend an increase merely of $180 in these limits. To those older Americans who depend in large part on a nominal amount of earned income to help make ends meet, it would be to them imposing politics at their expense. The limitation on earned income ought either to be substantially liberalized or eliminated altogether so that these older Americans need not live in fear of a personal financial crisis.

Mr. Chairman, this is just another example of this administration's false sense of priorities. Without Federal assistance, general spending is in pork barrel public works and farm subsidies, not in the welfare of our senior citizens and other needy Americans.

Two other areas of the bill—relating to aid for dependent children and medicaid—are of particular concern to me. In light of their apparent adverse impact on the Administration's welfare program, the committee's efforts to encourage greater independence and self-sufficiency by welfare recipients and I particularly approve of the provisions of the bill which would permit Federal funds to stimulate the establishment of day-care centers so that welfare mothers may receive job training. This part of the bill will accomplish much of what I sought to do in cosponsoring a bill with Senator Javrus earlier this year.

Nevertheless, the proposed freeze of Federal participation in that portion of the AFDC program which benefits parents of a parent at its level as of January 1967 would appear to be counterproductive. As Secretary Gardner most aptly stated earlier this week:

I do not believe that children should have to pay for the real or supposed sins of their parents, and I think it would be shortsighted of a society to produce, by its neglect, a group of future citizens very likely to be unproductive and characterized by bitterness and alienation.

As for the proposed medicaid formula, it is my judgment that the more stringent eligibility requirements will penalize those States who have already implemented more far-reaching programs. New York State, in particular, would be forced to make drastic alterations either in its existing program or in the financing thereof.

Mr. Chairman, it is unfortunate in the extreme that those of us here today who share my view—or who otherwise seek to amend the bill—have given only the alternative of opposing it in its entirety. This is not the time to tie the hands of Congress when the Senate has a broader perspective on the problems of our aged and needy.

With some reluctance, light of the factors has outlined, I shall vote in favor of this measure. It is my earnest hope that the Senate will take the initiative in making such modifications as will effect a full measure of assistance to those who so most in need.

Mr. KUPFERMAN, Mr. Chairman, the problems of medicaid have been so well considered by Gov. Nelson A. Rockefeller, of my State of New York, in a speech at the Governors Conference at Jackson Hole, Wyo., that I thought it should be brought to the attention of my colleagues during the consideration of medical assistance payments under title II—Public Welfare Amendments—of H.R. 12080 before us today.

As I indicated in my remarks to the Senate on the adoption of the rule—CONGRESSIONAL RECORD of August 16, at page 30612—one extremely important aspect of the adoption of a closed rule allowing no amendments, was to prohibit this Committee the opportunity of giving effect to such sensible analyses as those that Governor Rockefeller has raised. It may very well be that if an opportunity were available, there might be amendment to the bill H.R. 12080 to perfect and improve the provisions on medicaid.

Governor Rockefeller's remarks follow:

EXCERPTS OF REMARKS BY GOV. NELSON A. ROCKEFELLER, ON DELIVERY AT THE REPUBLICAN GOVERNOR'S CONFERENCE, JACKSON HOLE, WYOMING, JUNE 27, 1967

I regard it as one of our highest responsibilities as public leaders to provide the opportunity to our people to get the health care they need. This is the main reason I have been vitally interested for many years.

Historically, private and non-profit health insurance companies have done a significant job in helping to provide good medical care for a large percentage of our people.

When I was Undersecretary of the Department of Health, Education and Welfare earlier this year, I got the insurance industry to agree to a Federal reinsurance pool to encourage private insurance companies to provide catastrophic health insurance—a desperately needed protection for our older families.

Unfortunately, they opposed the idea. When I first became Governor in 1959, I undertook a comprehensive study looking toward the possibility of compulsory health insurance for New York State.

However, the idea then was too far ahead of its time. And the same is true of the health industries if we had acted alone might have had a serious effect on the industrial growth of our State, and therefore on employment opportunities as well.

At the Governors' Conference of 1960 I worked strenuously for the passage of a resolution in support of Medicare Federal Social Security to cover hospital costs for our older citizens. I vigorously supported Medicare because it was to be based on a contributory system of health insurance.

In my view, a contributory system is most desirable from the standpoint of fiscal soundness and because it respects and reasserts the dignity of the individual. The resolution was passed by the Governors, but, as you well know, the passage was more idealism to wait another five years.

We are thereafter left with the Kerr-Mills law, enacted that year, as an alternate method of financing health care for the elderly.

The Kerr-Mills concept represents a sharp difference from the principle of contributory health insurance. It is largely paid for out of the general revenues. The beneficiaries make no financial contribution and therefore this would have little reason to feel any responsibility for the financial direction of the program.

There is no restraining force for its unlimited extension, as in the case of a contributory system.
In 1965, the Congress finally adopted the contributory system of Medicaid under Social Security to provide medical care for our old and sick.

Under this program in New York State we have about 1,700,000 persons enrolled in the Medicaid program to receive medical care, and about 1,000,000 enrolled in Part B of the general care program of Medicaid.

At the same time, the Congress enacted Title XIX, or Medicaid, which extended the Kerr-Mills program for the aged and disabled to other persons defined as medically indigent.

The entire Medicaid program is financed from the general revenues of Federal, State and local governments.

As you know, before a State could receive the additional Federal aid under Title XIX, it was essential that we either expand our existing Medicaid programs to serve all the State's needy, or develop an acceptable contributory health insurance plan.

Today in New York State there are approximately 6,000,000 people eligible for assistance under the Medicaid program. In fiscal 1965, prior to Medicaid, we had 1,400,000 persons enrolled in New York State's general assistance programs at a cost of approximately $468,000,000.

In the first year under Medicaid, we had approximately 1,500,000 persons benefitting from this program at an approximate cost of $80,000,000.

By the current fiscal year of 1967 we estimate that 2,800,000 persons will benefit from Medicaid and that the cost will be approximately $150,000,000.

As for Medicaid, it raises two principle questions: cost, and administration.

In terms of the cost standpoint, I am faced with the fact that over 90 per cent of our New York population is under some form of private or non-profit health insurance.

New York State employers are already paying about $610,000,000 annually toward employee health insurance plans.

If this is paid for by this private insurance are enrolled in or apply for Medicaid, they have to deduct benefits available under our proposed program before Medicaid will pay any of their medical expenses.

Our concern is that because of the eligibility of so many of these people for Medicaid the private health insurance plans will be drawn into it.

This turn of events would transfer a substantially increased financial burden to government.

Under this contributory proposal, private and non-profit insurance companies would continue to provide employee health plans.

Thus the proposal would have preserved the enormously valuable insurance coverage which people get from their employers and would be eligible for assistance under public programs.

In addition to the estimated $610,000,000 that New York firms are already paying for employee health insurance, we have added another $145,000,000 largely to be paid by firms that presently have no employee health insurance plans.

This program would have required basic medical assistance for the aged and disabled of employees and their families who now have no health insurance and who may not be eligible for assistance under public programs.

Under this contributory proposal, private and non-profit insurance companies would continue to provide employee health plans.

The contributory system offered another marked advantage.

Unfortunately, for all its merits, the program generated little support, and it was not enacted into law.

I had a small merchant in Schenectady complaining about the high health insurance costs he would have to bear.

I explained to him that if he could not afford to provide this health protection, then it would be done by government.

And how is government going to raise the money?

Local government would probably increase his real estate taxes, he also pays Federal and State taxes, so he may have been better off by instituting his own employee health insurance plan.

Doctors, by and large, prefer to have insurance companies as fiscal intermediaries rather than government—and this they would have under our proposed contributory system.

Mr. SKUBITZ. Mr. Chairman, although I shall support H.R. 13286—the Medicare and Kerr-Mills Amendments proposed to us by the House Ways and Means Committee—I do so with grave reservations.

What I have tried essentially to do today is to present some of the advantages and disadvantages of the alternative methods of financing health care.

I am hopeful that our entire society which benefits from our compulsory system of security, our entire society which benefits from medical care, does not yet know that the program exists.

Yet, we are reasonably satisfied with our progress in implementing this massive and complex program.

What I have tried essentially to do today is to present some of the advantages and disadvantages of the alternative methods of financing health care.

However, in my view, we do not have alternative methods that do not have their drawbacks.

— and that is to see that everyone has access to adequate medical care when we need it, that the system is sensitive to the specter of financial ruin as the cruel companion of sickness and disease.

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the committee. Those persons receiving the minimum benefit are our elder citizens who are most dependent upon social security. We are sending these persons to the welfare rolls for a supplement to their social security earnings. These people have been living hand to mouth month to month and they live in constant fear of major medical expenses or other emergencies. It is my thought—and I implore this committee for work and training—introduced this year—that money that comes from the general revenues of the Treasury should be used to finance this minimum benefit increase to a level of $20 per month. I think we have a responsibility to these persons who were unable, for numerous reasons to contribute sufficiently to the social security program to receive a higher benefit. This responsibility belongs to all of our society—not just to social security contributors. It belongs to people like Joe Kraus and the other Members here today. The social security program is not a replacement for work and training. It is a program to help these people contribute, not to help them avoid paying taxes. The general benefit increase of 12½ percent actually does little to provide adequate or adequate benefits for retired citizens. The benefits are inadequate. The average benefit is raised to $164. Even with this increase, retirement will continue to mean impoverishment for many citizens. The President's request of a 20-percent increase is not wholly realistic compared to people's needs. An increase of 50 percent might begin to be adequate. The 12½-percent increase does little to help those people reenter our society who are living on savings. It is not adequate for them to be able to live in adequate circumstances.

The increase in the wage base, the amount of earnings subject to tax and therefore available to $7,600 a year, is meager. More substantial increases in the wage base would be another way to raise the amount of benefits. Our proposed program is not comparable with the $3,000 wage base of 1937 in terms of the necessities of life. The resulting benefits can provide. I question whether the success of social security benefits are even keeping pace with rising costs of living and inflation. It appears that we are regressing, providing less where needs are becoming greater.

The ceiling in terms of medicare is another regressive measure. This could impose a burden on those States with imaginative and realistic programs, causing them to reduce their budgets and reorganize their goals. If anything, this program should be expanded.

The provisions regarding the APDC program seem particularly deterrent. It seems obvious that the number of families depending aid is increasing while we are giving the same benefit to all and the proportion of children entitled to benefits. We will be penalizing those States where the need is the greatest.

I am also cautious about the program encouraging relatives of dependent children to enter the labor force. If the program is administered in a careful and cautious manner, it could possibly weaken the family structure in some cases.

I include a portion of the remarks make by John W. Gardner, Secretary of Health, Education, and Welfare, in his statement to the State regional welfare officials and social security officials in Washington, August 10, 1967. He discusses these problems fully.

The remarks follow:

Now let me turn to the proposed legislation as it was reported out of the Ways and Means Committee. There are a lot of good things in it. We also see some problems. I think that we should carefully study, and things we didn't want that we did get.

The bill as reported provides for a new kind of focus on the family as a total entity. I think this can all be to the good.

First, the States would be required to develop a comprehensive plan for each family and to review it frequently. Second, the funds would be required for work and training programs for welfare recipients deemed "appropriate" for employment. I think the States should have to do this. Third, the States would have to provide greatly enlarged day care and homemaking services for employees of AFDC mothers.

The comprehensive plan drawn up for each family would be based on an evaluation of the potentialities for employment of family members over sixteen in school, the health and educational and training needs they might have, and the welfare of the children. The plans are well and carefully done, if their goals are broader than the achievement of employment alone, and if the resulting plans are realistically developed, I believe that an emphasis on public assistance will find new hope, new confidence, new stability, and a new opportunity to become productive and participatory—with all the increase in personal satisfaction and happiness that goes with it.

With respect to employment, we have had encouraging successes. Based on the work experience programs that have been operating for a number of years, we have every reason to believe that state and local welfare agencies and individuals who want to be and can be trained and employed.

I would stress that not all mothers would wish to, or should, or could, work full-time or part-time. But the unknown number who wish to, or should, or could, ought to be given the opportunity to do it.

Thus far participation in the work experience programs has been entirely voluntary, though attractive incentives have been offered. The proposed legislation would make participation a condition for receiving assistance for those determined to be appropriate for work or training. But the bill provides that a recipient of public assistance may refuse such work training for "good cause," and that existing law allows an individual to appeal any decision to the State agency. I have asked my staff to develop criteria for the administration of those provisions that will ensure protection of the rights of the individual. I am deeply concerned that those rights be preserved.

What really matters is what happens to each family, and for all practical purposes that will be decided elsewhere, not in Washington. A mother might appear to be a good candidate for work training on several grounds, yet special circumstances might make it desirable for her to delay entrance into the program. It might not be possible according to rigid formulas inflexibly applied, if lack of imagination and foresight characteristic action at the decision level, thus the result can only be to give individuals and families involved and defeat of the
purposes of the program, which are to strengthen the family and move it toward independence.

The work-training projects offer great opportunities, but like all opportunities, they must be seized when they come, with all available energy. At the very minimum, we must be sure that we are not preparing candidates for more jobs on welfare. We have to start to do the job that we know needs to be done. But it would be dishonest not to acknowledge the real obstacles we face in trying to do it. Since we don't have the resources, we have to be more selective in our efforts and then be unable to pay off both immoral and foolish—and again, destructive of the program. But I would hope, in some imaginative training for already existing or newly created positions, that at least some of the projects would be specifically aimed at creating new careers in new kinds of jobs for the participants.

The provisions of the bill also offer great potentialities for enriched educational and play programs that would enhance the youngsters' chances for healthy intellectual and emotional growth.

There are other provisions of the proposed law that we feel will make it possible for us to be more helpful to you. I am particularly glad, for instance, that increased funds have been made available for child welfare services and maternal and child health.

There is also, however, a debit side to the proposed legislation from the Federal viewpoint. We feel that some of it, quite apart from other objections to it which might be made, would stand in the way of the immediate and adequate help for the kind of programs that we would like to see. If you will bear with me, I will tell you that you must know that the States' definitions of full need are far from prodigal. I will recommend to the Senate the elimination of these provisions which were included in the Administration proposal.

Full need has been paid to participants in the successful work-training programs, and we had predicated our request for an expansion of such programs on the assumption that full need would be paid, as defined by each State itself, to public assistance recipients, and to reprise such status for those who lose it. I don't need to tell you that most States' definitions of full need are far from prodigal. I will recommend to the Senate the elimination of these provisions which were included in the Administration proposal.

The Ways and Means Committee rightly places great emphasis on the work and training programs. Yet it deleted the Administration provision that would make it mandatory upon the States to pay full need, as defined by each State itself, to public assistance recipients, and to reprise such status for those who lose it. I don't need to tell you that most States' definitions of full need are far from prodigal. I will recommend to the Senate the elimination of these provisions which were included in the Administration proposal.

I must commend the chairman of the Ways and Means Committee and its members for the diligence and time they have given to this legislation through the extended hearings and executive sessions they have held on it.

I have listened to the debate on this legislation and have come to the conclusion that certain portions of it could be improved, but since this legislation is not subject to floor amendment, we must take what has been offered and hope that the objections voiced here today will not be as far reaching as those of the Indepen

It is my hope that in adopting this bill our older citizens, those who are disabled, the dependent children, and all others who are eligible for welfare benefits will have a better day tomorrow, and that the benefits of this legislation will be increased, either through financial aid or other forms of help.

I am sure that the House will give overwhelming approval to this bill, since
It does represent some progress, even though certain portions of it can be improved.

Mr. THOMPSON of New Jersey, Mr. Chairman, I am in the support of H.R. 12080 particularly in regard to its provisions for improvement and simplifications in the medicare program. The implementation of the medicare program has been smooth, and there are no doubt challenges that lie ahead. But no one on this floor who has followed the program from its inception and witnessed its development can deny that these accomplishments have been dramatic and that the program has already more than proved its worth.

One of the major accomplishments of medicare is that it has made available insured alternatives to hospital care; that is, hospital outpatient services when appropriate for diagnosis or treatment; posthospital extended care when further hospitalization is not the most appropriate level of care; home health care when that is the most appropriate medical response; and the coverage of physical, occupational, and speech therapy as well as in the hospital. Physicians have arranged home health care for over 200,000 people. Since January 1, about 200,000 people have been admitted to extended care facilities. Twenty-five billion dollars have been paid out under this program from its inception and witnessed its development can deny that these accomplishments have been dramatic and that the program has already more than proved its worth.

Another accomplishment of medicare and an accomplishment which affects not only the elderly, but patients of all ages, is the upgrading of health care that is taking place as the result of the quality standards established under medicare. The participation in medicare of all but 2 or 3 percent of the acute-care hospitals in the country, the participation of over 4,000 extended care facilities, and the upgrading of care at approximately half of the skilled nursing home beds in the country, and the participation of some 1,800 home health agencies is conditioned upon the institution meeting quality-care capabilities in respect to physical facilities, personnel, and patient-care policy. Some 2,450 independent laboratories of the country have also met quality standards in order to participate in the medicare program.

Another important way in which medicare has improved the quality of health care is that conformity with title VI of the Civil Rights Act by the institutions involved has meant, in many communities, that minority group members are no longer discriminated against in high-quality care for the first time. These are all major accomplishments of great importance to the health and dignity of individuals. I believe that all have a right to feel proud in these accomplishments. They are important, permanent improvements for the good of America.

It is regrettable, Mr. Chairman, that the emotive nature of this program does not benefit disabled social security beneficiaries. Disabled social security beneficiaries, like the aged, are hospitalized frequently and in many cases their hospital stays are long. According to a survey of workers found disabled under the social security disability provisions—conducted by the Social Security Administration—out of only five disability beneficiaries under social security received care in short-stay hospitals in the survey year; and, excluding hospitalization in long-term institutions, half of those hospitalized still were in the hospital for 3 weeks or more.

Totally disabled people also have comparatively low incomes, although they depend in part upon the earnings of a spouse more often than do the aged. According to the Social Security Administration's 1966 survey of disabled workers, one-half of the married disability beneficiaries are composed of disabled workers and spouses and their children. If any—had income, not counting social security benefits, of less than $170 per month. The bulk of the income for most of these family units came from the earnings of a working spouse. One-half of the nonmarried disabled disability beneficiaries had income, not counting social security benefits, of less than $7 per month—being no spouse present to work. Consequently, many people with long-term disabilities must, like the aged before medicare, turn to their own resources and to public agencies for aid in meeting the costs of illnesses that require hospitalization.

Also illustrative of the need of the disabled for medicare protection are data from the national health survey which show that men age 17 to 64 who were unable to work averaged much higher in number of days of care in short-stay hospitals, number of physician visits, and personal medical expenses than did men in that age group who were "not limited" in ability to work or men age 65 and over. For example, in the area of hospital utilization, those unable to work averaged 9.5 days per person for the period July 1964—June 1965 as compared with an average of 0.6 days for men age 17 to 64 without a work limitation and an average of 2.4 days for men age 65 and over for the same period.

Mr. Chairman, while the committee bill may not go as far as I would wish in some respects, I can lend it my wholehearted support and I ask each of my colleagues to wholeheartedly support passage of the bill. Mr. MACHEIN, Mr. Chairman, it is with great pleasure that I assist with the passage of the Social Security Amendments of 1967. The increase of 12 1/2 percent which is provided for those on pensions is badly needed. These older people who have never been able to work and who are normally dependent or who are disabled because of high inflation rates, this is really a move to fight it. Therefore, it is only proper that we pass, with dispatch, this increase, and I doubt that there are many who would oppose this move.

However, I would like to direct my remarks to the far-reaching and innovative amendments proposed to the AFDC program and child welfare legislation. All Americans have been deeply concerned about the implications of the "welfare" problem. The increasing number of persons on the rolls in these days of escalating costs and high deficit spending has disturbed many of us who view the severe budget imbalance with alarm. Furthermore, it is highly underscores, not "merely" providing for the "welfare" of anyone. There has been increasing criticism of the administration and philosophy of the traditional welfare system which has insured alternatives to hospital care; that is, hospital outpatient services when appropriate for diagnosis or treatment; posthospital extended care when further hospitalization is not the most appropriate level of care; home health care when that is the most appropriate medical response; and the coverage of physical, occupational, and speech therapy as well as in the hospital. Physicians have arranged home health care for over 200,000 people. Since January 1, about 200,000 people have been admitted to extended care facilities. Twenty-five billion dollars have been paid out under this program from its inception and witnessed its development can deny that these accomplishments have been dramatic and that the program has already more than proved its worth.

In addition to those who received care under the program, medicare has meant that older people had the security that comes from knowing that serious illness is much less likely to be a major financial problem for them or require them to seek financial help from their children. That is, of course, particularly true for the 40 to 50 percent of older people who had no insurance prior to medicare, but is also true of the large number of aged and a half of all the skilled nursing home beds in the country, and the participation of some 1,800 home health agencies is conditioned upon the institution meeting quality-care capabilities in respect to physical facilities, personnel, and patient-care policy. Twenty-five billion dollars have been paid out under this program from its inception and witnessed its development can deny that these accomplishments have been dramatic and that the program has already more than proved its worth.

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Mr. Chairman, while the committee bill may not go as far as I would wish in some respects, I can lend it my wholehearted support and I ask each of my colleagues to wholeheartedly support passage of the bill.

Mr. MACHEIN, Mr. Chairman, it is with great pleasure that I assist with the
tion to the financing of day-care services. One of the most innovative recommendations over the committee was that certain mothers who receive AFDC be trained to care for the children of others. This contribution toward day-care facilities is a response to State and local departments' urging.

As part of the comprehensive attack against problems of finding employment for welfare recipients, this legislation makes mandatory on all States the operation of a program of training programs in all areas where there are significant numbers of AFDC recipients over 16. Although these programs were authorized in 1962, very few States have increased up. However, with this mandatory provision, employment opportunities will be brought within the reach of many that previously had great difficulty.

The chairman and committee should be highly commended for the tremendous amount of work that has gone into this bill and for the creative and constructive thinking that led to it. If we wish, the final success of these programs will depend upon the ability of the local and State welfare agencies to implement them. I hope, with the safeguards and other important provisions that this legislation contains, the full intent will be carried out as it affects the individual welfare recipients.

Mr. MYERS. Mr. Chairman, today we will pass this bill. In the House and it is much needed and long over due. I shall vote for it, but there are some things about this bill I certainly would like to have seen changed.

I believe the minimum benefits should have been increased. I very much agree that this is not a welfare program and should not be treated as such. It is a program that must be kept in line as a program that we contribute to and the benefits made available under it should be in proportion to the earnings and contribution as any other insurance program. However, we have had an unprecedented inflation. The consumer price index for the past 14 years has increased 200 percent, whereas the existing structure of benefits were established, it was based on a different economy. It is only fair now to improve the minimum to correspond with the increase in the cost of living. These people living solely on their social security check must be taken care of, either through a social security program or public welfare.

This was an opportunity to take the social security program out of politics by establishing a cost-of-living clause to future benefits. I regret that this was not considered by the committee.

Mr. LLOYD. Mr. Chairman, I approve the social security legislation recommended by the Ways and Means Committee and add by recommendation to the members of that committee for their long and painstaking work. I shall vote for the bill.

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our older Americans. I have advocated increasing the benefits to retirees under social security for several years.

Mr. Chairman, I intend to vote for this bill, and I strongly urge its passage.

Mr. BARRETT. Mr. Chairman, the House has before it a proposal in H.R. 12080 to make needed improvements to a number of the programs under the Social Security Act. We are presented with a take-it-or-leave it situation, a closed rule, in that no amendments to the bill are in order except those offered by the direction of the Committee on Ways and Means.

The bill will undoubtedly pass, not because it is the most desired, but because part of a loaf is better than no loaf at all.

H.R. 12080 is evidently the result of political reality—politics—which is the art of compromise; the committee recognizing the mood, temper, and forces at work in the House. In essence, the existence and activity of the old coalition of yesterday, which would scale down or defeat a proposal to increase the benefit of the vast majority of the people of our country.

Mr. Chairman, we have seen this year the evidence of the activity of that coalition in the denial of funds for the continuation of the rent supplement program; the illogical cuts in a number of appropriation bills; the damage done to the Elementary and Secondary Education Amendments of 1967; and, the action to prevent consideration of the Rat Control and Extermination Act of 1967, to mention a few.

In introducing the bill, Mr. Chairman, I addressed the House regarding H.R. 5710, the original proposal introduced to amend the Social Security Act, following the recommendations of President Johnson, as first outlined in his message to Congress on January 23, 1967, entitled “Aid for the Aged.” In referring to that proposal I said that the bill offers a wide range of bad things needed things; it offers a strong basic program of income maintenance for the benefit of the elderly, and the others to keep one's self in the country.

Our social security program has now been in successful operation for more than 30 years. It is the most desired, but because it is the most desired, but because part of a loaf is better than no loaf at all.

H.R. 12080 is another important forward step in the improvement of this program. The amendments of the Social Security Act proposed in H.R. 12080 represent a big step in maintaining the vitality of social security as a strong basic program of income maintenance for the aged, the disabled, the widowed, and the orphaned. It is only by modifying the program to meet the challenges of changing circumstances and conditions of living in our country that social security can continue to make its contribution to a viable, resilient, and progressive American society.

I, therefore, support H.R. 12080 and urge my colleagues to enact it.

However, in some areas of the program as it would be going beyond those in the bill, I would have hoped that the benefit increase provided by the bill would be somewhat more than a 12 1/2-percent increase. The benefit increase is only slightly above what would be essential in keeping up with the increase in cost of living since 1954. It is, in my view, an extremely conservative adjustment of social security benefits, considering the degree of improvement in the level of living of the great majority of Americans over the same period of time.

In a country as prosperous as the United States, there is no reason why social security beneficiaries should not share in the expanding prosperity most of us have come to know and enjoy.

I would also have been glad to see in this bill provisions for full-rate widow's benefits for totally disabled widows, instead of the severely reduced benefits now being paid to widows who have paid into the social security fund without increasing revenues going into the fund. By holding the benefit increase to 12.5 percent, the tax deductions were also held to a minimum.

Mr. LONG of Maryland. Mr. Chairman, I am pleased that the committee of the many proposals and complex issues through many weeks of study which preceded the introduction of H.R. 12080. We owe a debt of gratitude to the great services he has rendered to our Nation on this and many other occasions.

Not the least of the important contributions which have been made by our chairmen over the years in major areas of legislation are those toward the improvement of the social security program.

Our social security program has now been in successful operation for more than three decades. And today it has an even more vital role in our American society than ever before. This program has been a bulwark of dignity and time because it was established on sound principles, because these principles have been faithfully followed by the Congress in enlisting and improving the program, and because from the beginning it has been administered with dedication to the public good. It is the public good must always be paramount. I believe that it is for these reasons that our social security program continues to have such large measure of public support.

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August 17, 1967

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son or daughter becomes totally disabled before age 22, instead of before age 18.

Finally, Mr. Chairman, I wish to call attention to the provision for additional social security wage credits of $100 for each month of active duty in the uniformed services, and the credit additions will help to compensate for the fact that only the basic pay of servicemen is now covered, whereas the wage credits of civil service employees will help to compensate for the fact that only the basic pay of civil service employees is now covered. This is not a small matter. It is a matter of justice and fairness. It is a matter of fairness to the men and women of the Armed Forces who are serving our country in the most dangerous and hazardous of human occupations.

The additional wage credits provided for social security by H.R. 12080 will tend to restore the social security credit for periods of service to the level of protection they had before entering service. Indeed, this provision means that no serviceman will have to expect to be cut off from the benefit they earned while they were in the Armed Forces. The present coverage of servicemen's basic pay does not afford social security credit for the value of pay in kind—such as food, shelter, and medical care—nor does it recognize that many servicemen get in addition to their basic pay. Social security coverage of work in private industry generally includes credit for pay in kind as well as all cash earnings. The failure to provide such credit for servicemen tends to lower their average earnings under social security, on which benefit amounts are based. The additional wage credits provided for social security by H.R. 12080 will tend to restore their social security credit for periods of service to the level of protection they had before entering service.

In view of the importance of this benefit to servicemen, I am proud to support this legislation, Mr. Chairman, let me say that I am proud to support this bill. Mr. RUMSFELD. Mr. Chairman, I commend the members of the Committee on Ways and Means for their excellent work on the Social Security Act Amendments of 1967, as embodied in H.R. 12080. The need for increased benefits as a result of recent increases in the cost of living and the suggestions of the learned jurist which the Committee accepted certainly deserve no less. H.R. 12080 is a sound step forward in meeting the needs of the people of our Nation by improving the entire social security and welfare system.

The members of the committee and their staff had a difficult assignment, but they have worked hard to provide a more nearly adequate level of benefits for all beneficiaries. As the distinguished chairman of the Committee on Ways and Means has already pointed out, it is, of course, of the highest importance that the bills which we pass here today are a firm step in the right direction. The larger social security checks will put more money in the pockets of people who need it most. The bill I am sure will help to pass overwhelmingly today is a first step to do just that.

I wish the benefit increases could have been larger, and I say here and now that I will continue to work with all who believe as I do to find sound ways to provide a more nearly adequate level of benefits for all beneficiaries. As the distinguished chairman of the Committee on Ways and Means has already pointed out, it is, of course, of the highest importance that the bills which we pass here today are a firm step in the right direction. The larger social security checks will put more money in the pockets of people who need it most.

Another feature that I had hoped we could add this year is a provision to extend Medicare coverage to more severely disabled people of whatever age. I say here and now that I will continue to work with all who believe as I do to find sound ways to provide a more nearly adequate level of benefits for all beneficiaries. As the distinguished chairman of the Committee on Ways and Means has already pointed out, it is, of course, of the highest importance that the bills which we pass here today are a firm step in the right direction. The larger social security checks will put more money in the pockets of people who need it most.
can no longer earn a living, is likely to find it very difficult to get adequate medical or hospitalisation insurance even if he or she is able to pay for it. I am glad to see that a careful study of this problem is being undertaken, for it is one that I regard as pressing and hope we can move ahead as quickly as possible to a solution.

Another liberalization that I am pleased to see is the one that makes it possible for social security beneficiaries to earn more money without giving up their benefits. Here again, a higher amount would be welcomed, and I know the Committee on Ways and Means and others of us have not concluded that the amount set in the bill now before us is necessarily a final and permanent figure for all time.

The various other improvements made by the bill—such as the ones for disabled widows and for simplying the Medicare final and permanent figure for all time—have demonstrated over the years. And the committee's bill that is now before us is unquestionably an important step towards improved social security protection. We, therefore, need some court decisions that depart from the definition to follow the trend of the Social Security Administration were required to change its interpretation of the law, the nature of the disability program would be distorted, and the costs of the program would get out of hand. It is fundamental that the administration of the Social Security Administration—such as, for example, doing away with the rigid, inflexible $9.8 million annual ceiling on subsistence and raising that ceiling in increments to 1972, when it will reach a practical figure of $24 million. This, translated into meaningful figures to the public welfare recipient, this means that payments to needy individuals in Puerto Rico will increase from the current, inadequate $8.60 monthly to $25 by 1972. This translates further into food and clothing and shelter and a little more peace of mind for those who need it most.

Furthermore, the committee recommended that Federal funds for medical care in Puerto Rico be done away $142 million annually to $20 million and to implement the free choice of doctors and medical institutions and facilities in 1972 when Puerto Rico hopes to have the means to make that program feasible.

I am grateful to the committee for its careful consideration of Puerto Rico's special problems in dealing with this important legislation.
Imaginative concept originated in the Senate last year and provided a minimum monthly income to persons of 72 years of age or older. For some reason, the $3,000 provision to Puerto Rico was dropped during the conference between the House and Senate. I had hoped that the provision to extend this program to Puerto Rico would be included in H.R. 12080. Senate last year and provided a minimum monthly income to persons of 72 years of age or older. They will have it solely on the basis of their residence in a State, whereas those elderly in Puerto Rico will not have it solely because they live outside of the States.

The $3,000 provision to Puerto Rico wonder why the law which was designed to take care of their age class does not acknowledge that the circumstances are the same.

I would be extremely gratified if in the legislative course of H.R. 12080 these people in Puerto Rico would be provided for. If this is not the case in 1967, then I would suggest that the next time Congress deals with social security matters, it will recognize the injustice to these 53,000 aged U.S. citizens and provide for them the same treatment based on the same needs of those who have reached three score and 12 in the States.

Mr. Chairman, I would like to include at this point in the record a formal statement of the goals and means Committee on April 6, 1967, when these questions were under consideration, and my oral presentation to the committee on April 11, 1967. While these observations were addressed to the originally proposed Social Security Amendments of 1967, H.R. 5710, they apply with equal force to the problem as a whole and to H.R. 12080.

Statement of the MEMBER COMMISSIONER OF PUBLIC WELFARE OF PUERTO RICO, SANTINO POLANCO ABREU, Before the HOUSE COMMITTEE ON WAYS AND MEANS ON SOCIAL SECURITY AMENDMENTS OF 1967, APRIL 6, 1967

I. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Comment: Section 202 of H.R. 5710 requires each State and the Commonwealth of Puerto Rico to revise annually their minimum amount of need and to provide public welfare recipients, as of July 1, 1969, 100% of their needs. Section 1108 of the Social Security Act establishes an absolute limit of $5,800,000 on federal funds to Puerto Rico under the public welfare assistance title. Since Puerto Rico is presently receiving this entire amount, under a 50-50 matching formula, the increased costs under H.R. 5710, approximately $52.5 million, will have to be borne by Puerto Rico. The Commonwealth cannot possibly provide this additional amount of funds, and the result will be a General Furlough in 1969 of its allotment of $9,800,000.

Recommendation: It is recommended that the ceiling on federal payments to Puerto Rico would correct this situation.

2. Comment: Section 204 of H.R. 5710 provides that the committee on April 11, 1967. While these observations were addressed to the originally proposed Social Security Amendments of 1967, H.R. 5710, they apply with equal force to the problem as a whole and to H.R. 12080.

Recommendation: It is recommended that...
on a level with the States, under Title I, IV, X. XIV and XVI of the Social Security Act the programs providing financial and other assistance were administered by the States. We were able and the dependent—the amount of federal participation in Puerto Rico is strikingly conservative. Senator McClellan stated that the liberal limits of $9,800,000 in federal funds for Puerto Rico under these programs; and, on top of this, Puerto Rico is richly rewarded for its efforts as opposed to the States. For fiscal year 1966, federal payments to the general welfare funds in Puerto Rico were $686,000. Puerto Rico received $161,000,000 which amounts only to 5% of the total.

The federal participation and matching limitations on federal programs were imposed in 1950 when the public welfare assistance titles were extended to Puerto Rico. Perhaps there were valid reasons at that time. At present time I am unable to understand the basis for this treatment. Certainly the hardships and hardships of poor, handicapped, and sick American citizens living in Puerto Rico are not different from those of citizens living in the United States. Why should our disabled not less disabled, our dependent children and impoverished elderly not more impoverished than those residing in the States. Certainly the Federal Government cannot be less concerned about the desperate needs of the afflicted and the impoverished American citizens in Puerto Rico than it is about those residing in the States.

The fact that Puerto Ricans do not contribute the same amount of their personal incomes as the States in equally important ways. Also, I submit that this factor has little to do with the need for federal welfare programs. By definition, we are talking about a category of people who are unable to contribute to the federal revenues, whether they reside in Puerto Rico or in any of the States. This is recognized in the Social Security Act itself. Grant payments under the public assistance titles are structured so that the States with the greatest needs receive extra payments. It would, indeed, be a strange system of federal welfare payments if the amount of federal taxes the prospective recipients are fortunate enough to be payments.

Perhaps there is a belief that it costs much less to live in Puerto Rico. This is contrary to the facts. For example, the cost-of-living in Puerto Rico is higher than here in the District of Columbia. If the reason for the limitations was a fear of an over-liberal program which existed solely to humans on the part of the American citizens, then the cost-of-living in Puerto Rico has been that a family of five, for example, cannot be considered as violative of Congress' intent when considered a controlling factor in public welfare and medical assistance policy decisions. Puerto Rico is not more than the states.而对于s the federal payments precluded the ceiling on federal payments for Puerto Rico under the plan under Title XIX was approved by the Department of Health, Education and Welfare. It provides medical assistance for public welfare assistance titles ane structured so that the economic and social successes which have averaged a reduction of 6,000 cases per year. Also, as more individuals in Puerto Rico have benefited from the changes in the States. For fiscal year 1966 Puerto Rico spent $15,000,000 which amounts only to .5% of the total. The consequence is that many individuals in Puerto Rico and the Commonwealth Government cannot realistically make use of the Social Security Act of 1950. Puerto Rico welcomed, with great enthusiasm, the Medical Aid to Families with Dependent Children. It should be noted that although the average monthly payments to families in Puerto Rico are much higher than in the United States, the Medical Assistance Program of the Commonwealth of Puerto Rico applied to the states, 44% of Puerto Rico's total population is eligible for medical assistance under the plan is (1) Totally and permanently disabled —— 155,000 and (2) Others $100 per month, plus $400 times the number of members in the unit when living in a family group. Thus, for a family of five, for example, the maximum benefit is $1500. Also, the charges of private hospitals and physicians on the Island, 1961. The consequence is that many individuals in Puerto Rico have benefited from the changes in the States. Certainly the Federal Government cannot be less concerned about the desperate needs of the afflicted and the impoverished American citizens in Puerto Rico than it is about those residing in the States. Currently Improved their eligibility standards for medical assistance under the plan are (1) Totally and permanently disabled —— 155,000 and (2) Others $400. The consequence is that many individuals in Puerto Rico have benefited from the changes in the States. Certainly the Federal Government cannot be less concerned about the desperate needs of the afflicted and the impoverished American citizens in Puerto Rico than it is about those residing in the States. Currently Improved their eligibility standards for medical assistance under the plan are (1) Totally and permanently disabled —— 155,000 and (2) Others $400. The consequence is that many individuals in Puerto Rico have benefited from the changes in the States. Certainly the Federal Government cannot be less concerned about the desperate needs of the afflicted and the impoverished American citizens in Puerto Rico than it is about those residing in the States. Currently Improved their eligibility standards for medical assistance under the plan are (1) Totally and permanently disabled —— 155,000 and (2) Others $400.
Incredibly enough, Section 202, the provision in H.R. 5710 which is intended to up
match the ceiling in the United States, will have opposite effect in Puerto Rico where federal policy has kept standards so low. In order for Puerto Rico to conform its plans to the ceiling in Congress, as reflected in recent Social Security Amendments, it is necessary that the ceiling be reset to the maximum of 50% of the extreme poverty level. Within the ceiling limitation is the severe matching requirement Is
and the severe matching requirement is needed to correct this inequity. Puerto Rico is as eager as the United States Government to give its welfare recipients an opportunity to forge new and better lives for themselves. The philosophy of the Social Security Amendments, reflected in recent Social Security Amendments, is that public welfare recipients must be provided with sufficient economic and educational incentives to free them from the vicious cycles of poverty. We
in Puerto Rico share that philosophy. The Section 1108 is the practical exclusion of Public Welfare of the Department of Health in Puerto Rico In conducting a Work Experience and Training Program under Title V of the Economic Opportunity Act shows the great potential for rehabilitation among public welfare recipients and the good investment strategy of such programs. In scarcely a year-and-a-half, more than 1000 family heads have been rehabilitated and have found decent jobs. It is estimated that, by the end of 1970, there will be 2000 family heads earning $125 or more a month. This is a success story of rehabilitation. Its success is the practical exclusion of Puerto Rico stemming from the Section 1108 ceiling. Only.

I respectfully urge this Committee to remedy this oversight by eliminating the ceiling in Section 205 to apply to Puerto Rico and by granting to Puerto Rico the same matching funds for individuals over 16 years of age.

The ceiling on payments to Puerto Rico in Section 1108 applies to funds disbursed under Title IV and, hence, would apply to this new program. It must be made absolutely clear that these $456,000 individuals conform to even more stringent eligibility requirements than similar recipients in the mainland. The ceiling on personal or family income in Puerto Rico is now $1365 for a family of five. It is estimated that 374 for an individual and from $8000 to $10,000 for a family of five is the maximum permissible income. Therefore, Puerto Rico would lose their rights to medical assistance under Puerto Rico's Title XIX.

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The Government of Puerto Rico would not abandon these individuals to the mercy of the health care system. Puerto Rico is not an insignificant unit. It must be made absolutely clear that these 456,000 individuals conform to even more stringent eligibility requirements than similar recipients in the mainland. The ceiling on personal or family income in Puerto Rico is now $1365 for a family of five. It is estimated that 374 for an individual and from $8000 to $10,000 for a family of five is the maximum permissible income. Therefore, Puerto Rico would lose their rights to medical assistance under Puerto Rico's Title XIX.

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assistance to the elderly (65 and over) and to the disabled (under the social security definition) which the SMI program has not had these individuals been en-
rolled.
Puerto Rico cannot conceivably "buy-in" SMI insurance to its Title XIIX beneficiaries who are eligible. Our experience has been that most of the elderly in Puerto Rico who are eligible under the Social Security program have not purchased it because of their in-
ability to pay the $60 deductible and the 20% balance which were required for the year in which it would have to pay also for the deductibles and the balance. The cost would be prohibitive.
At present, Puerto Rico is providing the equivalent of SMI services through its Title XIX plan. It is not doing so because it objects to private medical practice, or because it is not doing so because it objects to private medical practice, or because it is

The irony of this situation is that we are in agreement with the free-choice principle embodied in Section 226. If it were at all possi-
ble $8.00 per visit, would receive $240 daily. On the other hand, approxi-
mately $40 per day. On the other hand, ac-

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I should also mention two further factors which are crucial: First, "free choice" is not in reality available throughout the island. For example, in 71% of the municipalities there are no private hospitals. Thus, the "free choice" provision would result in ine-
quities throughout the island, which cer-
tainly should not be encouraged; second, Puerto Rico in implementing its Title XIX plan, which is intended approximately $14.7 mil-
lion thus far for more personal health facilities. These expenditures have been made under a reasonable assumption of con-
tinuity of federal participation to the ground.

The Legislative Assembly of Puerto Rico is now considering a bill to implement the principle of free choice on an experimental basis in certain locations.

*The cost is estimated at $7,905,000.
to consider thoroughly the effect on Puerto Rico of this bill.

I should like, at this time, to try to summarize its impact on Puerto Rico and the position of myself and of the Commonwealth of Puerto Rico.

Initially, I should point out that I favor several of the proposals in H. R. 5710. I strongly support a substantial increase in benefits and increased medical assistance under the Old-Age, Survivors and Disability Insurance Program. For those in Puerto Rico who have earned coverage, the present H. R. 5710 will provide an additional $40 million in 1968. The improvements to the child-welfare system will provide direct assistance to the Medicare program, and the provision for funds for the training of social workers all have my firm endorsement.

However, several new requirements under the public welfare titles and the Medicaid program would set impossible standards for Puerto Rico. Although the Administration has proposed a substantial increase in benefits for uninsured individuals over 72, administration officials who live in Puerto Rico continue to be confused.

Let me explain each of these problems separately. First, the proposed public welfare requirement of H. R. 5710 would close its federal matching funds for cash assistance to the aged, the blind, the disabled, veterans, and dependent children. Section 202 of H. R. 5710 requires each State and Puerto Rico to revise annually their minimum standards of need and to provide a full equal federal share, as of July 1, 1969, 100 per cent of their needs. With respect to Puerto Rico, these new mandates do not bear in mind the fact that Section 1108 of the Social Security Act establishes an absolute limit of $9.8 million on federal expenditures under the welfare assistance titles. Since Puerto Rico presently receiving this entire amount, under a difficult 50-50 matching formula, the increased costs—approximately $50 million—will have to be met entirely by Puerto Rico. Because the Commonwealth cannot possibly provide this amount of funds, the result will be a forced forfeiture in 1969 of its maximum allotment of $9.8 million.

I should also point out that the ceiling on federal funds will preclude participation of Puerto Rico in the new benefits proposed in Sections 203 and 220 of H. R. 5710. Puerto Rico cannot utilize the federal funds to fund training programs, and in Section 205, which would authorize federal payments for nursing homes.

It is my belief, which has been reinforced by discussions with Administration officials, that these efforts were not known when this bill was proposed.

Second, the problems for Puerto Rico arising from the new Medicaid requirements are equally serious. Sections 202 and 220 of H. R. 5710 would set impossible standards for medical assistance under Title XVIII. The proposed federal funds would not be available to Puerto Rico. The proposed eligibility standards for Puerto Rico are based on the idea that a welfare recipient is at least four times as much as public medical care. Our indigent and medically needy population is a far larger proportion of the total population than in any of the states. To cover medical assistance for 50 per cent of the municipalities in Puerto Rico. And, with a 55-45 matching formula, Puerto Rico would have to come of $375 or a family of five with yearly income has more than doubled. The Gross National Product has tripled. Employment in manufacturing has jumped considerably. So has the income of Puerto Rico's people. The role in the last three years has averaged a reduction of 12½ per cent, increases in income of the first five years might lead to large, never-ending federal assistance to Puerto Rico, or that a welfare recipient might receive more than a working man, may be put aside.

Our economic successes are directly reflected in our public welfare program which in the past three years has averaged a reduction of 1,199,100 persons. Indeed, the unimportant role in this hemisphere only by Canada. Thus, any increase in benefits for uninsured individuals aged 72 and over, under the poverty Amendment of last year, from $35 to $50 per month. Residents of Puerto Rico were excluded when this program passed Congress last year. H. R. 5710 continues this exclusion.

These are the basic problems Puerto Rico encounters in this bill. For the most part, they are due to the result of failure to analyze the new requirements in light of the unique application to Puerto Rico of Social Security Act of the requirements of the new Medicaid.

I am confident that this Committee will approve amendments correcting this situation, and that they will be supported by the Administration.

I respectfully urge this Committee to adopt the following proposals, which, with the Committee's amendment, is the only substitute I will submit in the form of amendments to H. R. 5710:

- Eliminate the Section 1108 ceiling on federal payments to Puerto Rico under the public welfare titles;
- Eliminate the 50-50 matching formula and make applicable to Puerto Rico the formula used for the states;
- Extend the Proverty Amendment to the Medicare program;
- If the welfare ceiling and matching formula are not eliminated, exempt Puerto Rico from the requirement that medical assistance standards be no higher than 150 per cent of the public welfare assistance standards;
- Exempt Puerto Rico from the free choice requirement and establish feasibility studies to determine how soon and in what way this policy can be effectuated in Puerto Rico.

Also, progressively increase the federal matching percentage.

I believe these changes would represent a significant change of past policy. However, I would not ask for a reexamination and reappraising of past decisions if I did not sincerely believe that the basic role in Puerto Rico's effort in the health field has been admirable. Concerned interests, the Puerto Rico Chamber of Commerce, the Puerto Rico Medical Society, the Puerto Rico Chamber, the Puerto Rico Medical Chamber, the Puerto Rico Medical Association, the Mayor of San Juan, and numerous others. I should appreciate the privilege of including their telegrams in the record. I was also delighted to learn that the National Council of State Public Welfare Administrators, in the testimony of its Chairman, Wilbur Schmidt, before the Committee, has recommended the adoption of measures to remedy our distressing welfare situation. In my opinion, I would like to say that I am appearing today not only on behalf of the Commonwealth Government but also on behalf of Puerto Rican citizens, the 27 million American citizens in Puerto Rico whom I am privileged to represent. I cannot count the number of letters I have received from constituents asking me why Congress has not acted. I am the indigent, the blind, the disabled, and the individual may earn and still get full benefits, strengthens the benefit formula.
improves the health insurance benefits, and requires the development of programs under Aid to Families with Dependent Children and Aid to the Aged, Blind, and Disabled. Individuals receiving aid would be trained to enter the labor force as soon as possible.

During the 89th Congress and again in the 90th Congress, the Republican leadership in the House of Representatives called for an immediate increase in Social Security benefits as the greatest Acute inflation, many of our elderly citizens have been facing a serious situation. Last year alone, the cost of living rose 3.3 percent. Cash benefits had fallen 7 percent points behind the Consumer Price Index. Under the circumstances, it is unfortunate that the administration delayed action on this bill for so long. The 12 1/2 percent increase in social security benefits is needed now to help many of our senior citizens cope with the inflation that has resulted from the fiscal policies of the Johnson-Humphrey administration.

We believe that the present earnings ceiling is inadequate. The increase that is contemplated by this bill would, in some measure, reflect the feeling of the present inflationary period. Under the provisions of this bill, the amount of a person who can earn and still get his benefits would be increased from $1,500 to $1,680, which if the $1 or $2 reduction would apply, would range from $1,680 to $2,380 a year. Also, the amount a person may earn in 1 month would be increased from $128 to $140.

Experience has proven that a number of major changes in the present health insurance provisions are required. As a result, under H.R. 12086, the number of days of hospitalization would be increased from 90 to 120 days. A patient would be permitted to submit his Itemized bill directly to the insurance carrier for reimbursement, and a patient who would be required to certify that a patient requires hospitalization at the time he enters or that a patient requires hospitalization out-patient services.

One of the most perplexing problems in the welfare area is centered in the program that provides aid to families with dependent children—AFDC. In the last 10 years, this program has grown from 445,000 families that included 2.4 million recipients to 1.2 million families and nearly 5 million recipients. It is estimated that the amount of Federal funds allocated to this program will increase from $9.8 billion over the next 5 years unless constructive and concerted action is taken. In order to reduce the AFDC rolls by restoring more families to employment and self reliance, H.R. 12086 would require a number of changes in the present program. For example, States would be required to:

First. Establish a program for each AFDC adult or older child not attending school which would equip them for work and place them in a job. Those who refuse such training without good cause would be cut from the rolls.

Second. Establish community work and training programs throughout the State by July 1, 1969.

Third. Provide that protective payments and vendor payments be made where appropriate to protect the welfare system.

Fourth. Furnish day-care services and other services to make it possible for adult members of the family to take training and employment.

Fifth. Have an earnings exemption to provide incentives for work by AFDC recipients.

There is no provision in the present Social Security Act under which States may permit an employed parent or other relative to earn while receiving benefits. This has proven to be a serious defect. The number of assistance recipients who take work or enter into a training program can be increased if the proper incentive exists. We support the adoption of a work incentive provision.

At the present time, there are a number of other Federal programs that make provision for work incentives to welfare recipients. The adoption of work incentive provisions has proven confusing to welfare personnel and recipients. In an effort to end this confusion, the proposed provision in H.R. 12086 would, in effect, supersede provisions relating to earnings exemptions now contained in the Economic Opportunity Act and The Elementary and Secondary Education Act. We support this attempt to establish a uniform rule. We urge prompt action to bring the provisions of other legislation into conformity with this provision.

Mr. ROBISON. Mr. Chairman, I intend to support H.R. 12090—the Social Security Amendments Act of 1967—though I do so with some reservations that, given the closed-rule situation under which we are operating that prohibits any and all amendments, perhaps need to be set forth for the record.

As has been noted, the bill provides for a 12 1/2 percent increase, across the board, in the first two adjusting quarters, effective 2 months after passage, and raises the minimum monthly benefit from the current $44 to $50 a month. Although substantially less than the President has asked for and some of my colleagues have been urging was required—the increases will just about compensate the estimated 23 million persons receiving benefits under the program in one category or another for the increase in their living costs experienced since the last such adjustment.

Numerous other changes in the program are made and identified as improvements. These are important but, since others have or will comment upon them, I shall not attempt to enumerate them.

Similar changes, again identified by the committee as improvements are made in the so-called medicare program that is now operated under and as a part of the social security system; but, again, since they have been enumerated and explained, I shall not attempt to go into their details.

I do wish to comment, however, upon the cost of these improvements to finance which the committee has suggested an increase in the so-called taxable base, as of January 1, 1968, from the current $6,600 to $7,600, with subsequent increases beyond those presently scheduled in the wage tax, itself. That tax is now scheduled soon to do so and will then support the program was, in turn, about all the economy could support. We have not yet reached that theoretical ceiling, although we are now scheduled soon to do so. When the President asks for and some of us know the answer, but let us at least admit that we have been forewarned.

Whatever the event, we already know that the social security tax paid by many individual employees has, for example, to become a substantial part of their take-home pay. In other words, they pay in Federal income taxes—and this is especially true with respect to the self-employed small businessman, or professional worker, who has to carry an extra portion of the overall cost of the system.

Of course, this bill, by holding the tax rate as it is and raising the taxable base, does not change the contribution requirements of the system any more than they pay in Federal income taxes—but even the tax as is—those contributions will increase by $44 a year which may not sound like much to many of us here but for many of...
in nature, or at least optional, while at least a portion of it, into a true institutionalization - like, and is already feeling the pinch

now properly emphasizes what it is going to require a further readjustment in providing increases in retirement benefits of the future out of those increasingly popular and prevalent private pension funds which now at least partly finance and are funded to the extent of an estimated $90 billion. Mr. Curtis further states that, in a few years at this rate, such plans will cover perhaps as many as 40 million workers. Not all of them — and such plans may well be funded to the tune of $20 billion.

Such funded plans have a substantial growth-factor built into them as earnings are re-invested in them, which is surely not the case with respect to the federally operated social security system which now operates, perforce, on a pay-as-we-go basis so that, as benefits are increased, the tax to support the same must also be increased, and somewhere, Mr. Chairman, those taxes may well reach a point of diminishing returns.

I confess I do not know what might possibly be worked out, here, but I do believe that a careful, in depth study of diminishing returns. Perhaps nothing can be done toward getting the appropriate members of such families back into employment, and thus off the relief rolls. The bill offers some incentives to the States for attempting to do so — one of the best of which is the agreement that the Federal government will cover perhaps as many as 50 per cent of the cost of providing day-care centers for working mothers, or those mothers seeking training so they can become gainfully employed. I have already expressed my interest in the need for this to the members of the committee, and I am glad to note they have incorporated these provisions in the bill before us.

In effect, what the committee is suggesting, as I understand it, is that the States, especially in the welfare category of aid to families with dependent children which category increases faster in number than any other, should be encouraged to do what many are doing, and to make as much use as they might of the established welfare agencies are not accepting many of the programs which the committee is saying is that they somehow propose In this omnibus measure — concerning which, again, no amendments have been made. There are many of these are controversial but my study of them leads me to believe that the committee has carefully considered the impact of such changes, and that it is being done in a way that he makes along these same lines in his supplemental views as carried in the report.

Mr. Chairman, I should like to associate myself with the gentleman from Missouri [Mr. Curtis], should be especially commended for the thoughtful comments he makes along these same lines in his supplemental views. Well, this may be so, but I certainly feel that the Committee should be highly commended for the moderate manner in which it has approached the need for improving the programs, and that is that thing that always carries with it an undeniable political appeal — and I believe the gentleman from Missouri (Mr. Curtis) should be especially commended for the thoughtful comments he makes along these same lines in his supplemental views.
which, in turn, are dictated in broad outline by the appropriate Federal agencies which means that, ultimately, the "buck comes right back here to Congress. For all their eloquent rhetoric, welfare administrators would like to encourage some of their welfare recipients to take such advantage as they could of, say, the local poverty program, but presently, they have no leverage to get them to do so. Well, perhaps this bill, with its changes in the welfare procedures, will provide that leverage; and, let me point out, Mr. Chairman, no one ever said that should be "get tough" with the poor. Instead, our motives are those of trying to help the poor to help themselves. Maybe we are not going at it in the right way; right now, I do not know, but I do know we ought to try and, if we fail, to try something else.

Now, finally, Mr. Chairman, a word or two about the committee's action with respect to title 19—or medicaid—plans. This is of special interest and concern to New Yorkers for it was the New York medicaid plan that precipitated considerable controversy. New York's plan has, to say the least, been as controversial as at home as it has there once the details thereof became known to Congress. I am not now prepared to debate whether or not the New York plan went too far or was too liberal in its coverage, for it seems to me that is beside the point. The real point is that New York evidently went beyond whatever rough timetable both the administration and the Congress had for State progress under title XIX of the Medicare Act, and reached into what might be of, say, the local poverty program. Despite the understandable concern to "get tough" with the poor, instead, our motives are those of trying to help the poor to help themselves. Maybe we are not going at it in the right way; right now, I do not know, but I do know we ought to try and, if we fail, to try something else.

Under the circumstances, therefore, I find the committee's suggestions—as contained in this bill—for cutting back on the growth of such programs across the Nation through imposing an income limitation for Federal assistance both reasonable and fair. It is especially fair in New York's case since the committee has seen fit to phase in that sort of a limitation in order to give our State time to adjust thereto.

That adjustment will not be easy, and, it will, in and of itself, produce some further controversy. But we have to make it, and in the making I strongly hope our State legislature will take note of the heavy burden the cost of our medicaid plan on our upstate counties has already become, and will do what can be done to alleviate that burden for, in some cases, it is becoming well-nigh disastrous.

I would also hope, Mr. Chairman, though this is perhaps not the place to urge it, that our legislature, forced as it is to review the program for which there is clearly a real need at the lower income levels, would also give its attention toward converting our plan where it is that might be subscribed to the lower middle-income levels to financing catastrophic health costs. I have always felt that the real health-care problems of our people did not lie, except for the cost of financing their routine and less-costly illnesses or accident cases. Instead, as I see it, the real problem and the real area of need is to provide Federal, State and local help in meeting the very expensive cost of a catastrophic illness or accident where, if a year or more of hospital care is required, even an upper middle-income family can be put on the relief rolls. Here is where something can still be done, and, if New York is as confident as I am that this Congress will approve and adjust the provisions of this bill accordingly.

Mr. MATSUNAGA. Mr. Chairman, I rise in support of the Social Security Amendments of 1967.

This comprehensive bill contains many provisions which are designed to improve the social insurance and social welfare programs in the United States. Most important of all, of course, these provisions would benefit millions of Americans in need, and for this reason, the bill deserves the support of every Member of this body.

Perhaps the most significant feature of the bill is that it would increase social security benefits for more than 23 million aged, blind, and disabled beneficiaries with needed additional income. An across-the-board benefit increase of 12 1/2 percent, raising the minimum monthly payment from $44 to $50, would provide these beneficiaries with needed additional income. This provision alone would justify a unanimous vote for the bill. However, H.R. 12080 does much more than increase benefits.

The increase in the earnings base from $6,600 to $7,600 would result in larger benefits for those in the upper earnings levels. There is also a provision to increase the amount an individual may earn and still receive full benefits. Benefits would be available to disabled widows and widowers at the age of 50. There are other provisions which would improve the protection afforded persons under our social insurance system.

The bill also provides for improvements in the health insurance program for the aged that I have in mind is the legislation enacted by Congress in 1965. The most important change provided for by H.R. 12080 in this respect is the coverage of unspecified periods of room and board. New provisions are intended to simplify and improve the administration of this program.

The bill goes beyond the social insurance programs to make important reforms in our public assistance programs as well. Job training and job opportunities would be provided to enable members of families and independent children who are available for work to leave the relief rolls. The Federal Government would also provide additional resources through a more favorable matching formula to enable the States to provide the child welfare and day-care services for the children of these families. The bill also contains measures to help reduce illegitimate births and to prevent the neglect, abuse, and exploitation of children.

Finally, the bill would improve the programs relating to the health of mothers and children by consolidating separate provisions in the law, by increasing the total authorization for these programs, and by providing additional emphasis to the need for research and training programs designed to provide better health and dental care for mothers and children.

Mr. Chairman, I have only touched upon the more important provisions contained in this monumental piece of legislation. Today, we have a firm and solid foundation—the Social Security Amendments of 1967. Americans depend, but there are needed program improvements which this bill contains. The bill, as it is now before the House, is an outstanding example of what bipartisanship can do in bringing about meaningful improvements to the lives of millions of our people. It is now the duty of every Member to sustain this bipartisan support of the bill in order that these benefits can become a reality and bring new hope to all needy Americans.

I urge unanimous support for H.R. 12080.

Mr. PUCINSKI. Mr. Chairman, I rise to join my colleagues today in casting an affirmative vote for H.R. 12080—the Social Security Amendments of 1967.

This legislation goes far toward bringing our senior citizens into the mainstream of American economic life. It will afford them expanded medical assistance and will make it possible for them to live frugally, but with the dignity to which they are entitled. We can hardly do less for hardworking American men and women who have devoted a lifetime to earning their own way.

Furthermore, I am happy to support legislation which will, at long last, bring about meaningful reforms in the aid to dependent children program. ADC, as it is widely known, has in my judgment up to now provided a haven in all too many instances for the indigent families and individuals who will make a constructive effort to help themselves. Too often, the American taxpayer has had the burden of helping to support capable people who choose to live on the charity of others rather than on their own initiative and hard work.

While we mourn the plight of the children who are victims of parents who feel that they have not the burden of helping to support capable people who choose to live on the charity of others rather than on their own initiative and hard work.

While we mourn the plight of the children who are victims of parents who feel that they have not the burden of helping to support capable people who choose to live on the charity of others rather than on their own initiative and hard work.
These are important and long overdue steps to get these able-bodied persons off the welfare and relief rolls and into the productive majority of American life. I heartily endorse these Improvements in ADC.

Mr. Chairman, this bill will affect an estimated 23,700,000 people with $3 billion in additional benefits in 1968. I believe it deserves energetic support.

Mr. DORN. Mr. Chairman, a 12½-percent increase in social security payments will be provided for our senior citizens under this bill. This increase is urgent and necessary to our elderly people to meet the necessities of life. The increasing cost of living bears down most heavily on our retired people, who are struggling to pay medical bills, buy food, and pay the rent.

Mr. Chairman, I know personally of many friends who went to work in the textile plants of my district 50 years ago and have lived on the Social Security system for 30 years. These patriotic, law-abiding, and, yes, taxpaying citizens are entitled to and deserve a decent retirement in the sunset of their lives.

I support this bill. I support this increase in social security with all the sincerity at my command and urge this House to pass this bill by an overwhelming majority.

This bill will also provide for benefits for disabled widows and widowers. Monthly social security benefits would be payable between ages 50 to 62 to disabled widows and widowers of deceased workers.

I had hoped, Mr. Chairman, that this bill would provide benefits for those who are disabled and cannot continue on the same job they have held for 30 years. It is a shame that a worker who has stayed on the same job for that long, but becomes disabled and loses that job, must go out and knock on doors looking for a job while being denied social security benefits.

Mr. Chairman, I will continue to introduce and fight for legislation again and again which would permit my textile employees to draw social security when disabled.

Mr. Chairman, we must provide at least the same consideration for our own people as we do for those in foreign nations. We have sent over $1 billion abroad. Now we should give every consideration to our own American people. It is fine to fight disease and poverty abroad, but we can and must take care of the heroes at home who paid the bill to help our foreign friends.

Mr. KLEPPE. Mr. Chairman, the across-the-board, 12½-percent increase in social security benefits will enable millions of retired persons to catch up, at least temporarily, with the continuing rise in living costs. Last year, prices paid by consumers for goods and services increased 3.3 percent and a similar increase is in prospect for 1967. The war in Vietnam, coupled with record Federal expenditures for nondefense purposes, make it obvious that living costs will continue to escalate at an alarming rate in the foreseeable future.

I am pleased to note that the measure drafted by the House Ways and Means Committee would increase from $1,500 to $1,680 per year the amount that an individual can earn without losing any part of his social security benefits. Along with many of my colleagues, I had introduced legislation which would have provided a higher ceiling—$3,000 in the bill I sponsored. I believe this would have been a more realistic figure but the committee bill represents a step in the right direction. Also, the amount a person can earn in 1 month would be increased from $126 to $140.

The committee acted wisely, I believe, in rejecting the administration proposal to make social security benefits subject to Federal income taxation. This would have represented double taxation and would have been a severe hardship for many retired people.

I am concerned over the tax increases which will be levied against employers and employees under social security program in the years ahead. The fund cannot be kept on an actuarially sound basis unless collections keep pace with commitments. Congress would have scheduled to take effect between January 1, 1968, and January 1, 1987, will bear heavily on employers and employees.

The original purpose of the social security system was to establish a retirement program upon earned rights to future benefits, financed by the employee and the employer. It must not be permitted to become another great social experiment, penalizing those states with the greatest need of Federal aid to dependent children and the medical programs. The states would have to give Federal-State Local Relations, expressed his opposition to these provisions to Secretary of Health, Education, and Welfare, has said he will ask the Senate to delete these provisions of the bill.

Secretary Gardner also said of these provisions, according to the New York Times yesterday:

Mr. Chairman, although I will vote for this bill because it contains so many beneficial provisions, I would urge the Senate Finance Committee and the Members of the Senate to eliminate certain regressive provisions. I am opposed to the January 1, 1967 ceiling on the percent of Federal aid to dependent children which Federal aid to dependent children payments may be made to a State; and I am equally opposed to the provision, which would be mandatory on the States beginning January 1, 1969, to encourage State and local welfare agencies to put pressure on mothers of dependent children to leave home and go to work.

Such provisions would penalize the welfare of children and will not contribute to the strength and integrity of families. A mother should continue to have the option to remain at home and care for her children, or, if she wishes, to seek outside employment with the knowledge that her children are being cared for by day-care services. Secretary John W. Gardner of the Department of Health, Education, and Welfare, has said he will ask the Senate to delete these provisions of the bill.

Gov. John A. Volpe of Massachusetts, representing the National Governors' Conference Advisory Committee on Federal-State Local Relations, expressed his opposition to these provisions to Secretary Gardner.

In my own State—the Commonwealth of Massachusetts—25,000 families received money under the aid to families with dependent children program, benefiting some 85,000 individuals, in 1966, at a total cost of $64,228,108. The Federal Government contributed $27,855,828, Massachusetts gave $21,407,084, and the cities and towns provided $14,958,344 toward the program.

Mr. Chairman, I hope that the Senate will also eliminate the 133 1/3 percent of income level contained in this bill for eligibility to Medicaid for which Federal matching funds are available. Regarding this provision, Governor Volpe told Secretary Gardner last week:

Medicaid is another ceiling which would eventually require those states with the greatest need and in many areas would tend to encourage discriminatory practices to the detriment of needy families with children if the family is determined to be "unemployable" by state or local public welfare officials.

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Mr. Chairman, turning to the beneficial provisions of this bill, I am delighted to note the emphasis placed on the health and welfare of our children. I have long been concerned with the expansion of our child welfare services, such as was proposed in legislation last year by our late esteemed colleague Congressman John E. Fogarty of Rhode Island. I am pleased to report to you that, although total expenditures for child welfare services were close to $400 million, Federal funds accounted for only about 10 percent of this amount. In raising the existing ceiling on the amounts authorized for this program, I am pleased its provisions were incorporated in the bill reported by the Ways and Means Committee.

In his testimony before the committee on March 1, Secretary Gardner made the case for broad action on this front. He pointed out that one-third of the Nation's counties do not have the services of a child welfare worker and that, although total expenditures for child welfare services were close to $400 million, Federal funds accounted for only about 10 percent of this amount. In raising the existing ceiling on the amounts authorized for this program, I am pleased its provisions were incorporated in the bill reported by the Ways and Means Committee.

We know that, today, only about a half million children who need these services are receiving them through the offices of professional child welfare workers with public agencies. We know that, whenever possible, these workers try to keep children in their own homes by counseling families on their problems, arranging for visiting housekeepers, training mothers in the care of their children, providing day care for children whose mothers must work. One of the most important features of the bill before us, in the legislation which contemplates an expenditure of $740 million for day care services for such mothers by 1972, is the requirement that all children in need of such services will be able to receive them.

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For the more fortunate among our elderly I am happy to know that this bill provides for an increase in the amount of annual earnings a social security beneficiary can receive without having any benefits withheld. I have long supported and sponsored legislation to accomplish this end. The annual exempt amount is increased to $1,500 from $1,300. I understand that it is estimated that about 760,000 people will receive additional benefits, amounting to $140 million in the first year, because of this change.

Mr. EDMONDS. Mr. Chairman, all the evidence points to the fact that Congress must increase social security benefits. There is convincing evidence that a substantial increase can be made retroactive to January 1, 1967—at no additional increase in cost to the taxpayer.

The need for such an increase is painfuily obvious. The nearly 22 million American citizens count on social security benefits to provide for most or all of their needs. The fixed income they are now receiving is far from adequate for existence in a society which has reached an unprecedented standard of living. One in five of this income has made poverty cases, unnecessarily, out of many people helpless to do anything to improve their situation. Present social security police and laws discourage the elderly from earning a suitable living—once they have reached retirement age—and yet delay unnecessarily justified cost-of-living increases in their monthly checks.

To cite a specific illustration, over 2.5 million aged widows in America received an average of only $74 per month in social security benefits last year. The Social Security Administration defines poverty for an individual over 65 as an income less than $1,500 a year. In 1966 over 2.5 million aged widows were receiving less than one-third of that amount. They case for action in their behalf is obvious.

Mr. Chairman, when you consider a situation like this, it is not too difficult to understand why 20 to 25 percent of America's poverty stricken are older people. An increase in the social security benefits would make a world of difference to many of them, and that increase is overdue now.

I strongly urge my colleagues to join in support of an increase in social security benefits. It is the responsibility of Congress, and a most necessary measure.

Mr. MILLS. Mr. Chairman, I ask unanimous consent that all Members desiring to do so may extend their remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

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There was no objection.

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The question was taken; and there were—yeas 415, nays 3, not voting 14, as follows:

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| GI (h)                | Each state plan approved under title [Roll. No. 222] to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance programs and programs relating to the welfare and health of children, and for other purposes, pursuant to House Resolution 902, the report of the bill back to the House with sundry amendments adopted by the Committee of the Whole. The SPEAKER. Under the rule, the previous question is ordered. Is a separate vote demanded on any amendment? If not, the Chair will put them en bloc. The amendments were agreed to. The SPEAKER. The question is on the engrossment and third reading of the bill. The bill was ordered to be engrossed and read a third time, and was read the third time. The SPEAKER. For what purpose does the gentleman from California rise? MOTION TO RECOMMEND: Mr. UTT. Mr. Speaker, I offer a motion to recommit. The SPEAKER. Is the gentleman opposed to the bill? Mr. UTT. I am, Mr. Speaker. The SPEAKER. The Clerk will report the motion to recommit. The Clerk read as follows: Mr. Urr moves to recommit the bill H.R. 12080, to the Committee on Ways and Means. Mr. MILLS. Mr. Speaker, I move the previous question on the motion to recommit. The previous question was ordered. The SPEAKER. The question is on the passage of the bill. Mr. MILLS. Mr. Speaker, on that I demand the yeas and nays. The yeas and nays were ordered.

So the bill was passed. The Clerk announced the following pairs:

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<td>Rostenkowski, with Mr. Ayres</td>
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<td>Williams of Mississippi, with Mr. Everett</td>
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The result of the vote was announced as above recorded. A motion to reconsider was laid on the table.

PERSONAL ANNOUNCEMENT

Mr. DIGGS. Mr. Speaker, I was absent temporarily today because of the cancellation of a flight, and I entered the Chamber shortly after the vote was announced on the Social security bill. I wish to state that had I been present I would have voted "yea."
Social Security Amendments of 1967

SPEECH

OF

HON. WILLIAM L. ST. ONGE

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance programs and programs relating to the welfare and health of children, and for other purposes.

Mr. ST. ONGE. Mr. Chairman, I can think of no more important social legislation this year than the bill we are now considering. I wish to commend the members of the Committee on Ways and Means, and especially its very able chairman [Mr. Mills], for bringing before us a reasonable and effective piece of legislation. I am happy to speak in support of this bill.

Sometimes I wonder if we realize the full significance of our social security system. Sometimes I wonder if we take it too much for granted. It is not obtrusive; it does not loudly demand attention at every turn. In fact, its operations are as quiet as the drop of a letter into a mailbox. Nevertheless, the nearly silent passage of more than 23 million checks into more than 23 million mailboxes every month is one of the most significant and profound sounds in America today. That tiny sound, multiplied 23 million times a month, testifies to the fact that social security has become—in a short 32 years—one of the basic factors in the economic life of the Nation. Social security is the fundamental economic support in the lives of millions of Americans. But, while fundamental, in too many instances it is not as adequate as it should be. And that is one of the reasons I am glad to lend my support to the bill now before us. It will provide an essential increase in benefits for every American now on the rolls—every one of them will receive at least 12.5 percent more.

I am certain that all of us are well aware of the pressing need for an increase in benefit levels. The case is too obvious for argument. Social security benefits are virtually the sole reliance of half of the almost 23.8 million beneficiaries and certainly the major source of support for just about all of them. The level of these benefits therefore determines how well the retired, the widows, the orphans, and the disabled get along.
The indisputable fact is that millions of social security beneficiaries are being left behind, and our national economy produces greater and greater abundance. Millions who now rely on social security for their support have been unable to share in the advances made by the world’s most productive and profligate economy. They have had to live in the midst of ever-increasing abundance with no share in that abundance. They have had to get along on less and less while their friends and neighbors have been enjoying more and more. In too many instances, they have been forced to live in a state of poverty.

To be able to live at a base subsistence level today, an individual must have an income of $125 a month, while a couple must have $194 a month. Yet the average social security benefits paid today are only $84 a month for retired workers, $142 a month for retired couples, and $74 a month for elderly widows.

The plain and unforgettable fact is that 5.2 million elderly Americans live below the minimum poverty level—and, of these, 4.3 million are social security beneficiaries.

Thus a meaningful increase in benefits is essential to the economic well-being of those presently receiving benefits. And such an increase, now, will help to insure the adequacy of social security when millions of Americans begin receiving payments—and relying on those payments—in the years ahead.

I wish to commend the committee for giving us the possibility of moving our social security system another step toward the adequacy it must have to fulfill its purpose today. We cannot, I believe, overlook our responsibility in this task. The dictates of both good sense and good conscience require us to support this increase in benefit payments.

I wish to come to another aspect of the bill before us today. When the social security program was enacted in 1935, it provided a wage base of $3,000 which, in those days, was sufficient to cover 95 percent of all taxable earnings. From time to time over the years, the base has been raised, but it has not kept pace with rising incomes in recent years.

If the base were to remain at $6,600 a year, by 1974 only 67 percent of those working in covered employment will have all their earnings covered.

Yet we must remember that social security—in addition to providing disability, survivor’s, and health insurance protection—is the Nation’s basic retirement protection system. We must, therefore, make it possible for more workers to become eligible for benefits that are more closely related to their full earnings.

The wage base could be described as the backbone of our social security system. There can be no substantial doubt that the base must be raised.

The bill takes us a step in the right direction, by providing an increase to $7,600 a year. With the increase, we will be able to provide improved protection not only for those soon to come on the rolls but for all younger workers who will draw benefits in the decades ahead.

A shortcoming in this bill is that it does not raise the wage base to the level proposed by the President. He asked for a base of $10,800 a year, an average of $800 a month income. I am certain we will arrive at this base in the years immediately before us. I would like to see it accomplished now. As I have said, the base is the system’s backbone; not only do it affect a worker’s contributions to the system; it also plays a determining role in setting the level of benefits he will get from the system.

When we recall that social security is no longer just a retirement system, when we recall that today it protects 87 out of 100 workers against the risk of disability, 96 out of 100 mothers and their children against the hazard of the family breadwinner’s early death—and when we add to it the great system of Medicare—I believe we cannot escape the conclusion that the backbone of such an all-embracing and all-important insurance system must be strong enough to fulfill our needs for today and tomorrow.

In short, I would like to see more of this Nation’s people and payroll become eligible to participate in our basic insurance system.

In one respect, I am disappointed that the bill on which the distinguished committee worked so hard did not provide for greater benefit increases in line with those which were proposed in my own social security bill. The legislation which I introduced calling for raising minimum benefits from the present $44 to $90 per month. In addition, I also proposed an average overall increase of 50 percent in benefit payments.

Two additional features important to the long-range development of social security contained in my bill and omitted by the committee were the provisions for an automatic adjustment of benefits to meet changes in the cost of living, and for benefits to be financed partly out of general tax revenues. The adequacy of the social security program in the past has been seriously weakened because the benefits have remained more or less stationary, while the cost of living has risen. Under my bill the benefits granted by Congress would continue to keep abreast of inflationary trends, rather than merely make up for what has been lost.

My bill provides a formula whereby equal amounts will, for the first time, be contributed out of general revenues beginning in fiscal year 1969. By 1977, general revenues would finance 35 percent of the social security system. Attempting to meet all of the social security costs by means of a payroll tax would be regressive taxation and put a disproportionate burden on those we are trying to help most, and those least able to meet such a burden. Financing cost in part from general revenues would represent progressive taxation, and would take advantage of the broadly based graduated individual and corporate tax structure and place more of the burden on those best able to pay.

While the committee’s bill does not go as far as I would wish in raising benefits, and it does not contain the automatic increase and general financing provisions which I feel are vital to the growth of the social security system, it is nevertheless an important move in the right direction. I will, however, continue to do all I can until those who depend upon social security as a primary source of income are guaranteed the minimum necessities of a decent life.

The most important element to keep before us is the enormous social and human good that comes from providing an adequate standard of living through the social security program, rather than supplementing deficient payments with relief and welfare subsidies. The measure we are now considering is a bill which will help secure this goal and behind which both parties may unite.
SOCIAL SECURITY IS STILL A BARGAIN FOR TYPICAL AMERICAN WORKER

(Mr. BOLAND (at the request of Mr. PRYOR) was granted permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. BOLAND. Mr. Speaker, last Thursday the House overwhelmingly passed a progressive piece of legislation, H.R. 12080, the Social Security Amendments of 1967, providing a 13 1/2-percent increase in benefits to 23 million Americans.

Although I object to certain provisions of the bill in the aid for families with dependent children and the medicare sections, I supported and voted for the legislation. We have come a long way in the field of social security since President Franklin Delano Roosevelt signed the original Social Security Act into law on August 14, 1935, which you, Mr. Speaker, made reference to so eloquently just a few days ago.

The proponents and critics of social security have written and said much about this program since the original Social Security Act was drafted in Congress, and once more people are asking some old, familiar questions:

Is Social Security really a good buy for the typical American worker and his family? Do people get their money's worth? Could a man do better with a private annuity to provide for himself and his wife in old age?

The answers vary, of course, from one person to another—depending on age, family situation, and such circumstances as the number of years in active work and in retirement.

However, some broad conclusions can be stated—

The vast majority of people now working on jobs covered by Social Security will draw benefits far in excess of what they have paid or will pay in taxes during working years.

In most cases, the return will be larger than the combined tax payments of the worker and his employer.

Social Security is a real bargain for people already retired, soon to retire, or well along in years.

The system also favors workers with low incomes.

Even the young man who starts out today on a working career of 40 years, paying the maximum payroll tax the whole time, has a good chance of getting more money back than he and his employer pay into the system.

This is especially true if allowance is made for the value of extra protections that Social Security offers against the hazards of life—pensions for disabled workers, benefits for the dependents of a worker who dies before retirement age, hospital and nursing-home care in old age, and so on.

How you will make out. All this, and more, emerges from a new study of the American people's stake in the Social Security system, prepared by the Economic Unit of "U.S. News & World Report."

The examples given in the chart on these pages show how people in various situations will make out on their investment in Social Security.

No allowance is made in these examples for the increases in taxes and benefits approved by the House Ways and Means Committee on August 2. However, those changes will not alter the general ratio of taxes to benefits, because both will go up proportionately. Thus, the broad conclusions stated here will apply under a new law just the same as under present law.

Note also that the benefits shown by the examples in the chart are retirement and survivors' payments only. No allowance is made for the value of disability insurance or medical care.

There are some exceptions to the general rule that Social Security is a good buy from the individual's standpoint. Some people get back little or nothing for the taxes they pay.

One is a worker who dies before retirement, leaving no dependents to draw a survivors' benefit, because both will go up proportionately. Thus, the broad conclusions stated here will apply under a new law just the same as under present law.

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A working wife may never draw benefits based on the payroll taxes she herself paid as a worker. In many instances, a woman will find that she does better to be pensioned as the wife of a retired worker.

Then there are a good many people who just never retire. Doctors, lawyers, business men, farmers and others often go on working in old age, and never claim pensions from Social Security.

Such questions take on new urgency with a rise in payroll taxes, forcing everybody to raise his ante, on the threshold.

Close scrutiny of the program, with all its ramifications, turn up some surprising answers for those awaiting pay-out day.

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Congressional Record — House

August 21, 1967

Even these people, however, have the advantage of protection for themselves and their families.

Disability insurance, for example, can be important. A worker is eligible at any age. Conceivably, a man starting in mid-twenties could build up a full family pension for the rest of his life.

Payments to children. Survivors’ benefits over $1,000 a year can run into big figures.

Payments to each child, in the event of the father’s death, are made until he or she reaches age 18 or is still in school. When the children go off the rolls, their mother does too, but at age 60 she starts direct dependency pension for the rest of her life. All told, such a family might draw as much as $75,000, $50,000, even $100,000 in retirement for a modest sum paid by the worker in payroll taxes during his lifetime. It is estimated that the aggregate value of survivors’ insurance protection alone is 730 billion dollars.

Of over $1 paid in taxes for Social Security, about 23 cents is for survivors’ protection and disability insurance; for hospital and nursing-home benefits, a person does not need to retire to qualify. People who are older than 65 do not have to take this coverage even if they continue working.

Importance of Medicare. In case of severe or catastrophic illness, Medicare could be the most important part of the whole Social Security system.

Thus, there is a wide and growing range of coverage under the Social Security program. No private insurance company offers such benefits.

If Social Security is such a bargain—with valuable protection piled on top of the promise of benefits exceeding tax payments for nearly every worker—how can the system make ends meet? Is it in danger of going broke?

To begin with, it should be understood that Social Security has other income besides the worker’s payroll-tax payments. Those payments are matched by the employer. Then, too, the system draws interest on the reserve fund, which is about 22 billion dollars.

This also is important: Social Security financing is arranged in such a way that each generation pays for the benefits of the next older generation.

For past generations. In other words, people who died young or just entered Social Security each year to cover the cost of the year’s benefits to those already retired and to the dependents of deceased workers.

No generation quite pays its way on Social Security, but the next generation makes up the difference.

In addition, as noted, there are those who pay taxes but draw little or no benefits. Those taxes help to maintain the reserve fund at approximately the amount needed for one year’s benefits.

If the system were to run into financial trouble some day, there appears to be little if any doubt that Congress would come to the rescue. Payments would be made, even if it became necessary to finance them out of the general revenue of the Treasury.

Another important point bearing on the question of how good a buy Social Security is for the typical worker: As a practical matter, the benefits have become just as inflation-proof.

Congress has a history of increasing pension and survivor payments as living costs have risen over the years.

How revenues grow. Taxes have been increased too, to help pay for higher pensions. But the payroll-tax revenue at each step in the rising rate level of recent years has been higher than anticipated, because wages and salaries have kept going up. This has meant more pay to tax, and thus more revenue to support Social Security.

In Congress, there have been repeated demands for an “escalator clause” in the law to increase pensions automatically as living costs rise.

So far, Congress has shied away from any automatic escalator, but has voted five general raises since 1950. The increase now being voted will be No. 6.

In this 17-year period, benefits have increased faster than living costs, and the system draws interest on the reserve fund, which is about 22 billion dollars. Bonds do not offer protection against inflation. Real estate investment is risky. Private insurance provides a kind of multiple benefits and protection as does Social Security cannot be had.

Thus, the experts on Social Security maintain that, while the program is not a substitute for private investments or insurance, it does provide the assurance of a modest income and protection for millions at cost lower than can be had in any other way.

In fact, for some, minimum Social Security has been provided without any cost at all. Special benefits. Under changes in the law enacted in 1965, some people 72 or older were given a special benefit of $35 a month even though they never had worked under Social Security. Those benefits were covered for only a short time and paid only nominal taxes became eligible for the special benefit in 1965.

Many people in years past have been able to retire from formal employment but do not have Social Security. Large numbers of retired couples now draw more in retirement benefits each month than they paid in taxes during their working years.

These are the extreme cases, and serve to demonstrate that Social Security is an important element of welfare, as well as insurance, in the Social Security system.

But for the great majority of people, even those who will pay the maximum taxes in years to come, Social Security turns out to be a good buy. This will continue to be the case under the new law to be enacted by Congress.

WHAT SOCIAL SECURITY COSTS YOU—WHAT YOU GET BACK:

Taxes and benefits under old-age, survivors and disability insurance. The payroll tax for Medicare is included in the tax figures but no medicare payments are included in the benefits.

Example 1:
An employee who paid the maximum Social Security tax from the time the program started in 1937 until he retired in 1948 at age 65. He never worked again.

Taxes paid by the employee $330
Taxes paid by the employer $330
Total taxes paid $660

Benefits paid to retired couple so far $29,342

Example 2:
An employee who paid the maximum tax for 30 years before retiring last January 1 at the age of 65.

Taxes paid by the employee $2,383
Taxes paid by the employer $2,383
Total taxes paid $4,766

Benefits to be drawn by the couple, assuming both live out their normal life expectancy...

Estimated at $37,316

Example 3:
A widower with no dependents who paid the maximum tax as an employee for 30 years before retiring last January 1 at the age of 65.

Taxes paid by the employee $2,383
Taxes paid by the employer $2,383
Total taxes paid $4,766

Benefits if he dies at age 70, 5 years after retirement...

Estimated at $8,154

Example 4:
A widower with no dependents, now age 52, who pays the maximum tax as an employee for 43 years before retiring in 1980.

Taxes to be paid by the employee $6,766
Taxes to be paid by the employer $6,766

Total taxes to be paid $13,532

Benefits to be drawn by the retired worker if he dies at age 75, 5 years after retirement...

Estimated at $9,180

Example 5:
A young, salaried worker who paid the maximum tax from 1967 until his death last January at age 32. His wife, age 26, and two children, 7 and 3, survive him.

Taxes paid by the employee $1,546
Taxes paid by his employer $1,546

Total taxes paid $3,092

Benefits to be paid to the family...

Death benefit, lump sum.......

Estimated at $255

Benefits payable to 1968, when children finish college...

Estimated at $6,822

Benefits to widower age 60 assuming she live her normal life expectancy...

Estimated at $24,380

Total benefits...

Estimated at $87,257

Example 6:
A young lawyer who starts practicing in 1967 at age 25, and pays the maximum tax until he retires in the year 2007. Both he and his wife will then be 65.

Taxes to be paid by the lawyer as a self-employed worker...

Estimated at $20,074

Benefits to be drawn by the lawyer and his wife, assuming both live out their normal life expectancy...

Estimated at $46,124

Note this: Social Security promises disability benefits as well as pensions and hospital care in old age and protection for the worker’s family in case of his death before retirement age. One might wonder how the system can offer all this and still survive if it is not made up by what might be indicated by the examples, the typical worker gets far more out of Social Security than he pays in taxes. Remember these points:

Social Security has Interest income on its 25-billion-dollar reserve fund to help pay the cost of benefits.

Many workers pay Social Security taxes for years but never draw any benefits—either because they die before retirement age, leaving no dependents, or else keep working after retirement age and claim no benefits.
Social Security financing is arranged so that each working generation pays part of the bill for the generation already retired. The cost of pensions is just about matched each year by the income of the system, so that Social Security is close to a pay-as-you go basis.

No allowance is made in the examples above for any increases in Social Security taxes and benefits beyond those provided by present law.
Social Security Amendments of 1967

SPEECH OF HON. AUGUSTUS F. HAWKINS OF CALIFORNIA IN THE HOUSE OF REPRESENTATIVES Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. HAWKINS. Mr. Chairman, it is vital to the Nation's welfare that the social security bill, H.R. 12080, be amended before final passage to avoid the evil effects of the restrictive welfare provisions which the bill contained.

Unless changed, not only will several millions of our needy citizens lose Federal welfare support, but States finding themselves encouraged to adopt even more restrictive legislation will further tighten their policies, thereby adding more people to welfare rolls and increasing the tensions in already troubled cities.

Basically, Congress is reflecting the wave of negative thinking toward public welfare that is too often characteristic of social issues these days. Most people, it seems, prefer to believe that people on welfare are deficient in personal qualities needed to make themselves self-sufficient, that they are lazy and immoral, and have only themselves to blame for their condition. It is loosely asserted that while jobs go begging, these "lazy and immoral" people linger on relief rolls. Few of us stop to question what kind of jobs go begging and who are the people so unfortunate to be on the starvation standards of our relief rolls.

First, we should understand just who the people are who make up the 7.3 million Americans on welfare. According to a recent U.S. Department of Labor publication, these are:
- Aged 65 or over, with a median age of 72, 2.1 million.
- Blind or otherwise severely handicapped, 700,000.
- Children whose parents cannot support them, 3.5 million.
- The remaining 1 million are the parents of these children, mostly mothers, and about 150,000 fathers.

Unless we provide some custody for the children, and education and training for the mothers, we should not expect the mothers to leave their homes and children, if at all, to obtain jobs, too often the most menial ones available.
Of the 150,000 fathers, all but 50,000 are incapacitated. So we are actually talking about between 50,000 to no more than 100,000 persons capable of being trained for employment.

We must also understand that most poor people, or about 78 percent of the poor, get no welfare assistance at all, and are equally entitled to welfare or jobs, neither of which we are now providing. It is ironic that we talk of providing jobs for those on relief when we do not furnish enough jobs even for those not on relief but who qualify.

Despite public misinformation, relief standards do not encourage chiseling, laziness, or immorality. Most States do not meet their own standards in fixing benefits. For example, the maximum benefit to families with dependent children in January 1965 was less than the States' own minimum needs standards in over half the States.

The average monthly cash payments for those on public welfare was as follows:

- Old-age assistance: $66.83
- Blind, etc.: $86.10
- Disabled: $71.76
- AFDC: $35.63 per person
- General assistance: $37.93

Attacks on welfare almost invariably concentrate on the symptoms of family desertion, neglected children, and illegitimacy. Such a welfare recipient becomes ipso facto immoral and unsuitable in the minds of most people, regardless of the rights of the needy child to receive legal assistance and protection. Public officials who do not hesitate to vote billions in subsidies to corporate interests feel politically safe if they satisfy their often misunderstanding constituents that they have voted against a welfare subsidy to immoral behavior, meaning, of course, the few highly publicized cases of unmarried couples in AFDC homes.

Instead of adopting a sound welfare policy, this Congress so far is moving toward the "good old days" of the poor law, the woodshed, and institutional care. A few years ago this country, including Federal officials, were shocked by the action of local officials in Newburgh, N.Y., who instituted a plan of limited assistance, rigid work requirements, and a prohibition against assistance to mothers bearing illegitimate children. Action of the House would make the Newburgh revolt against humanity a national policy.

There is but one sound approach for those who really want to reduce public welfare costs and caseloads: We must prevent the need that makes people seek public welfare in the first place. This means providing better jobs, better schools and health, and better community facilities for all.

It means improving our social insurance system to prevent predictable economic want, and not to harass and punish innocent persons as H.R. 12080 does. It means ending discriminatory practices that deprive millions of our citizens of equal rights to employment, housing, and education.

But on the way to achieving these essential objectives, this Congress can stop now the drive to deprive citizens of their basic rights and opportunities.
Social Security Amendments of 1967

SPEECH

OF

HON. ROBERT W. KASTENMEIER
OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. KASTENMEIER, Mr. Chairman, I have always been a strong advocate of the extension and liberalization of social security to provide security and care for our elder citizens and I shall continue to be one in the future. In this light I would like to address myself to reservations I have on certain aspects of the Social Security Amendments. Because this bill does increase social security benefits, makes some improvements in medicare, and provides Federal assistance for the training of social workers I will vote for it. However, I cannot pass over some of the more disturbing aspects of this legislation which have come to my attention.

While social security benefits will be increased, the increase is only a token one, nowhere near the needs of the elderly of our country. Unfortunately, over the years benefits from social security have not kept pace with the increasing cost of living. While in the 1950's benefit increases raised benefits to a greater extent than was required to offset the rise in the cost of living that followed, this is no longer the case and this increase will not even equal the present cost of living let alone provide for a further rise in the cost of living. The increase of only $6 a month for those receiving the minimum payment will give the elderly little solace in these days of increasing prices. The price index for the elderly is even higher than that for
the general public which further lessens the effect of this increase. In this the most affluent country in the world how can we expect a person to live on $600 a year? Neither this 12½ percent increase or the President's proposed 20 percent increase would be enough. Only a 50-percent increase would come close to meeting the needs of our elder citizens.

I am also disturbed at the deletion of the President's proposal setting a minimum payment regardless of contributions for anyone paying for a period of 25 years or more. This was proposed in response to a person's being penalized in the early years of social security, who while paying a substantial portion of his earnings gets few benefits today because of a much higher standard of living.

The sections dealing with aid for dependent children are especially irritating to me. I do not feel freezing the proportion of children on ADC rolls at last January's percentage for each State will achieve its stated purpose of cutting down on illegitimacy. The cause of illegitimacy runs much deeper than our welfare system. If an attack is to be made on illegitimacy it must be a responsible one, dealing with poverty, lack of job training, and inferior housing so prevalent in the slums of our cities. It just is not fair to penalize children for the errors of their parents. It only breeds bitterness and resentment. We also should not penalize the individual State who must either take on the extra burden of making additional payments or cut back their payments as the portion of children on welfare increases.

I fear that the sections dealing with ADC are in part a reaction to the riots which have plagued our country this summer. The rationale, which I do not accept, is that by making it more difficult for a person to live on welfare he will be forced to get a job which will keep him off the streets and lessen his discontent. This presupposes that: First, jobs are available; and second, that these people have the training and education for such jobs. The fact is that jobs are not available in the private sector for those with such little training and education and the community work and training programs required by the bill are likely to be simply make work. Added to this is the fact that a great number of people on welfare are unemployable. This section far from alleviating the causes of the discontent which leads to riots will only increase it.

Lastly I am disappointed by the limitations on the Federal contributions to State medicaid programs. Instead of discouraging liberal programs which States like New York have instituted, extending benefits to those who need them most, they should be encouraged. This title will only place the burden on already financially overburdened States to assume the portion of the costs which no longer will be available from the Federal Government or force these States to cut back their programs. I do not think this is just or financially sound.

In conclusion, let me reiterate that the increase in social security benefits is a long awaited, if too small, stride forward which I hope will be followed by further expansion and liberalization in the years to come.
Social Security Amendments of 1967

SPEECH

OF

HON. CHARLES McC. MATHIAS, JR.

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 17, 1967

The House in Committee on the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance programs and programs relating to the welfare and health of children, and for other purposes.

Mr. MATHIAS of Maryland. Mr. Chairman, this is one of the most important bills to come before this Congress. Its social security provisions directly affect at least 23.7 million beneficiaries, and almost every employed citizen. Its other titles make extensive changes in Federal-State-local systems of medical assistance, public welfare, and social services, and thus will have great impact on both the jurisdictions which administer these programs and the Americans who must depend on them for subsistence and essential help.

An increase in social security benefits is long overdue. During the past few years, the real value of these benefits has been severely eroded by inflation and repeated increases in the cost of living. As I have stated before, every month of delay in raising benefits brings added difficulty, and in many cases real hardships, to the millions of retired men and women who rely on these payments for their day-to-day support.

The increases in this bill, averaging 12.5 percent, have been carefully calculated by the Ways and Means Committee as the largest increases permissible without disturbing the actuarial soundness of the trust fund or imposing punitive burdens of taxation on those presently employed. Although payment levels are still low, especially for those receiving minimum or near-minimum benefits, this total of $2.9 billion in additional benefits in 1968 alone will be extremely helpful to our retired citizens.

I regret that the committee did not see fit to implement one important recom
agreement on the need for change, there
and, above all, erode's human dignity.
Pendence, strangles Individual effort encouring independence and initia-
shattered neighborhoods. Rather than promoting the growth of strong
individuals to "get off the dole". Rather
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these programs are increasingly expen-
programs needs review and reform. Con-

A recent study by the Department of
Health, Education, and Welfare has
Proposed changes are primarily directed
social services, strengthening family life,
failures of our society.

rural poverty, in the empty lives and
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50,000 of the fathers are incapacitated
and 150,000 fathers. Of this last group,
maintaining 1 million are the parents of thoseente~ants cannot provide for them. The re-
remaining 1 million are the parents of those
children receiving AFDC because their par-
most of the mothers have young chil-
to tend at home, and all but perhaps 50,000
children are incapacitated and unable to hold jobs.

While these statistics are illuminating, we do not need data to see the social
and human costs of perpetuating present pro-
ful, and compassionate change-is ob-

rural poverty, in the empty lives and
despairing faces of the poor, and in the
frustrations experienced by the many
public servants who are attempting to
respond to human need and remedy the
failures of our society.

H.R. 12080, as reported by the Ways
and Means Committee, does make major
changes in our welfare programs, espe-
cially in the program of aid to families
with dependent children—AFDC. These
proposed changes are primarily directed at
stabilizing Federal costs, improving
social services, strengthening family life,
and encouraging job training for aid re-
cipients over 16. Some of the new pro-
aposals, such as expanded child welfare
efforts and increased aid for training of
social workers, are generally regarded as
constructive. Others, such as the imposi-
tion of a ceiling on Federal AFDC pay-
ments, are considered in many quarters to
be regressive and punitive.

In bulk, these amendments impose
many new responsibilities and require-
ments on the States, requirements which
will become prerequisites for certain
categories of Federal assistance in 1968.
In many cases, particularly where States
and cities have already assumed sub-
stantial burdens and provided extensive
aid, these changes will increase State
and local cost. In all cases they will re-
qure additional personnel, the develop-
ment of new and expanded programs
such as counseling and day care, and
close coordination with present efforts
such as most of the antipoverty pro-
gams.

The House has had less than 2 weeks
to consider the committee's proposals,
and in this short time has not been able
to make a full assessment of their impact
nationally or in individual cities and
States.

Most important, we have debated these
proposals under a closed rule, which pro-
hibits amendments to the bill. There are,
of course, arguments for and against this
procedure, traditionally applied to bills
reported by this committee. On the one
hand, legislation of such magnitude and
complexity obviously cannot be written
on the House floor. On the other hand,
the closed rule effectively denies most
Members any opportunity to advance
their own proposals, to evaluate alterna-
tives, or even to express their positions
through votes on individual sections of
the bill.

There is sound reason for a closed rule
on tax legislation. But the welfare pro-
grams are linked with the Social Secu-

the works of a previous generation, we
have come to see the dangers of relying indefinitely on
the welfare system to the substitution of entirely
need for employment. The goals of
the system, in theory, are to help the
Sta~es provide essential support for such
persons, and at the same time to offer them the social services which can help
them to become more independent, self-
respects, tax-paying members of society.

But we have fallen far short of these
goals, and in fact may have lost sight of
them entirely. In too many States, public
welfare payments are far below even the
minimum subsistence levels established
by the States themselves. In too many
States, social services are thought in-
quate, and offer no help or incentives for
individuals to "get off the dole". Rather
than promoting the growth of strong families, the welfare system too often
produces broken homes. Rather than
aiding communities, it too often leads to
shattered neighborhoods. Rather than
encouraging independence and initia-
tive, the system actually promotes de-
pendence, strangles Individual effort
and, above all, erodes human dignity.

Mr. Chairman, while there is growing
agreement on the need for change, there
is no yet consensus on the directions of
congressional record — appendix
August 21, 1967
A RESPONSE TO DATA USED IN "AFTER 30 YEARS—RELIEF A FAILURE?" U.S. News & World Report, July 17, 1967

This report will examine the statistics, the examples, and the success—failure standard used in the article entitled "After 30 Years—Relief a Failure?" More representative and more meaningful data will be presented.

STATISTICS

Serious questions can be raised about the validity or meaningfulness of the statistics used in this article. In most cases these statistics present only part of the relevant information. For example, many observers believe that the difference between the number of public assistance recipients in any two given years is not very meaningful unless differences in the total population between these two years is also considered. Therefore, this type of complete statistic, and other types, will be presented and compared to the following statistics from the article.

(1) The article states that 1 million more people are receiving relief now than received relief in 1933. If the statistics in the article are related to the sizes of the civilian population in these years, (128 million in 1936, 198 million in 1967), then a fuller comparison is available; 5.7 percent of the population received relief in 1936, whereas 4.2 percent receive relief in 1967. Comparisons are questionable, however, because some of the "relief" programs operating in 1936 no longer exist, and some of the current programs were not established then, or were just getting started. If various income maintenance programs of the depression are included in the comparison (WPA, CCC, FERA, PWA, NYA, REA and the Farm Security Administration programs) at the end of 1966 some 17.4 million persons, almost 14 percent of the civilian population—were receiving public aid.

(2) The article states, and depicts in a chart, that the people on relief have increased 50 percent in the last ten years, from 5,500,000 in 1957 to 8,250,000 in 1967. These figures are both inaccurate and misleading. The 1957 figure of 5,500,000 included general assistance cases, whereas the 1967 figure of 8,250,000 included general assistance recipients. The 1957 figure that is comparable to the 1967 figure, a figure based on general assistance recipients, is 6,100,000. The increase in the number of recipients between
1957 and 1967 is, therefore, 35 percent, not 50 percent.

These figures, therefore, are not adjusted to make allowance for increases in the cost of living index during this period, nor are the figures related to the growth of the Gross National Product in these years. If the "relief costs" the authors cited are calculated as percentages of the GNP of these years ($441 billion in 1957, $764 billion in 1967), public assistance and general assistance costs were 7.10 percent of the 1957 GNP and 3.31 percent of the 1967 GNP.

The amount needed to support a family at or above the poverty line. Other national average welfare payments per recipient for March 1967 were as follows: OAA, $68.15; AB, $86.95; APTD, $76.05; and GA, $37.15.

The most recent data, for March 1967, indicates that average payments in AFDC range from $9.30 per recipient in Mississippi to $34.70 per recipient in New Jersey. The national average was $36.85 per month, per recipient, or $1.21 per day per child. Payments in New York are among the highest ($54.60 was the average payment per recipient in March) but are still far below the amount needed to support a family at or above the poverty line. Other national average welfare payments per recipients for March 1967 were as follows: OAA, $68.15; AB, $86.95; APTD, $76.05; and GA, $37.15.

The authors were just as selective in their choice of examples as they were in their use of statistics. In most cases, the examples used to illustrate existing conditions are unrepresentative of the total system or situation under consideration. The analyses of the following examples are illustrative:

1. The article suggests that it is possible for relief families to receive $6,000 or $7,000 a year in public assistance payments. A more representative statement, and a more probable situation is this: a 1965 study showed that the average annual income for AFDC families (including earnings and all other income) was $1,800 a year. Public assistance payments have not been substantially increased since then: In March 1965 the average monthly payment to an AFDC family was $143.75; in March 1967 this average payment was $152.75.

5. As an example of the inequities in the American system a comparison between public assistance benefits and social security benefits is presented. A retired couple receiving social security benefits of $2,447 or $3,211 a year is compared with an AFDC family of eight receiving $4,713 or $5,000 a year in public assistance benefits.

Two facts about these examples must be noted: (1) the AFDC family is four times the size of the social security family, and twice the size of the average AFDC family, (2) the AFDC family lives in New York, the State with the second highest average AFDC payments. In short, both the size and the residence of the AFDC family—and therefore the benefits described—are extremely unrepresentative of the AFDC program.
The core change involves aid to families with dependent children, which has doubled in 10 years. Almost five million mothers and their children are now beneficiaries. They are largely concentrated in the urban Negro population of the north.

As Mills said, the committee does not intend to be inhuman. Savings in the year 1972, five years hence for persons trained who become self-sufficient would be $130 million. That is only 7 per cent of the estimated 1972 cost of the program, without changes of $1.837 billion. Presumably, the rest would be unemployable.

In addition, the bill estimates costs in 1972 of $470 million for day care for children of mothers required to work, and $225 million for work training. Thus, $695 million would be spent to enable beneficiaries to earn $130 million. But a break would begin in the present self-feeding system. And, if the bill works as intended, the earnings may be more.

Briefly, the bill denies relief to parents or children over 16 who are deemed qualified to work, or can be trained for work, and who refuse either work or training. They will have to join the rest of the work force instead of living on its earnings.

The best part of the reform is that the relievers will be the gainers in the long run.
Social Security Amendments of 1967

SPEECH
OF
HON. CORNELIUS E. GALLAGHER
OF NEW JERSEY
IN THE HOUSE OF REPRESENTATIVES
Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. GALLAGHER. Mr. Chairman, on April 5, 1935, the Ways and Means Committee report called for "a comprehensive and constructive attack on insecurity." On April 19, after 20 hours of debate under a wide-open rule, the House passed the most sweeping social legislation in history. The Social Security Act was signed into law by President Roosevelt on August 15, 1935.

The legislation we are considering today is a logical and long-needed reaffirmation of our national commitment to mount "a constructive comprehensive and constructive attack on insecurity." Today, there are over 23 million elderly and disabled people, widows, and orphans receiving social security benefits. This is more than three times the number eligible in 1935. In my own State of New Jersey, a total of 758,661 people received $6.16 million in benefits during calendar year 1966. In Hudson and Union Counties alone, $11.4 million in social security benefits was paid to 137,442 citizens. The impact of the changes we are considering today will not be small in New Jersey. This bill grants an across-the-board 12% increase in benefits for all persons currently on the social security rolls. The proposed increase in old-age benefits will lift the increasingly pressing burden of rising costs from those who are least able to sustain the increases—our elderly citizens. In addition, this legislation would increase the special payments for certain people over 72 years of age who have not been enrolled long enough in the social security program to qualify for the regular cash benefits. I might add here that I have introduced a bill to rectify an inequity that will remain in the law, in that those receiving private pensions remain eligible for this type of pension payment but those receiving some type of governmental pension do not. My bill would afford governmental pensioners equal opportunities for this pension.

In the area of medicare and medicaid, the 1967 amendments strengthen the administration of the program while at the same time improving the efficiency and speeding services to eligible individuals and families.

H.R. 12080 will reform many of the outdated and inefficient provisions dealing with aid to families with dependent children. Emphasis will be placed on work training, employment counseling and job opportunities. Income incentives will be established to encourage members of these families to get and hold a job. The child welfare and child health sections of the act will be augmented by increased funds as well as consolidation of separate earmarked authorizations in the programs for the health of children and their mothers. More personnel with higher qualifications will be authorized in order to better cope with the increasingly complex situations arising in the child health and welfare area.

Mr. Chairman, in 1937, Health, Edu-
Social Security Amendments of 1967

SPEECH

OF

HON. MARGARET M. HECKLER
OF MASSACHUSETTS
IN THE HOUSE OF REPRESENTATIVES
Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, sur-
vivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mrs. HECKLER of Massachusetts. Mr. Chairman, at long last we are considering our obligations in social security legislation—long promised to our senior citizens. Elder Americans were promised benefit increases as of July first of this year. This date passed, and it appeared until recently, that the House Ways and Means Committee might not agree on permanent changes in the social security program for several more months. For this reason, I joined with many other of my colleagues in introducing, on July 20, legislation calling for an immediate increase in retirement benefits retroactive to January 1, 1967, which would give our senior citizens a lump-sum payment from the existing surplus in the social security fund.

Changes in the existing law are long overdue. Rising prices have increased the hardships of those living on fixed incomes. Inflationary trends have eroded their purchasing power, and they have little chance to increase their buying power or catch up with the rising costs of living.

Above all, our elder Americans deserve the opportunity to live in dignity, therefore, I am pleased that the Ways and Means Committee agreed to a 121/2-per-cent increase in benefits for offsetting the rapidly rising costs of living. I only wish that this increase, or part of it, had been made retroactive—if not to January 1, 1967, at least to July 1, 1967.

There are several other areas for improvement in the retirement system that were not contained in the bill reported by the committee. Under this bill, senior citizens may now earn $1,680 per year or $140 a month without losing any benefits. I feel that this provision is inadequate for those who now receive minimum, or near minimum benefits. In many cases, their total income including benefits and earnings fall below the President's defined $3,000 poverty level.

These are two remedies which would significantly improve the lot of those in the lower benefit categories. First, we should remove or significantly raise the ceiling on outside earnings by social security beneficiaries. As the bill stands, there is only a token increase in the earnings ceiling—certainly not enough to assist senior citizens who wish to remain productive in our society. Second, the bill should have established an automatic cost-of-living increase applicable to the benefit schedule. This measure would keep the beneficiaries purchasing power stable during inflationary periods, and would enable the senior citizens to maintain his well-earned dignity instead of periodically begging Congress for increases to offset inflationary trends.

Mr. Chairman, while I feel that the Ways and Means Committee has done a laudable job, I hope that the other body further improves this most important piece of legislation. Certainly much remains to be done.
Social Security Amendments of 1967

SPEECH
OF
HON. LEONARD FARSTEIN
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. FARSTEIN. Mr. Chairman, the parliamentary situation we are working under requires that we either vote for or against the social security amendments in their entirety. I am supporting the social security bill, therefore, because it generally increases the levels of benefits paid to our citizens. I believe that I have a responsibility to my constituents, however, to clearly state my position on specific sections of this bill.

The primary objective of the Social Security Act is to assure for all our elder citizens a retirement of dignity and self-respect. The social security legislation before us today proposes an across-the-board monthly increase in benefits of 12\(\frac{1}{2}\) percent with the minimum monthly payment being increased from $44 to $50 for a single person. I commend the distinguished members of the Committee on Ways and Means for the long hours they have spent considering this legislation, though I am deeply disappointed in the size of the increase proposed by the committee. I believe it is totally inadequate. It will not get the job done.

Earlier this session, I introduced legislation calling for a 50-percent across-the-board increase in benefits with a minimum monthly payment of $100 to a single person. I believe this 50-percent increase is necessary.

President Johnson in his congressional message on older Americans, called for a 20-percent across-the-board increase with a minimum monthly payment of $70 to a single person. I regret that the committee did not at least support the President's recommendation.

If we are to assure our elder citizens a life free from pressing financial needs, then we must do more than worry about actuarial balance. We must seek out new sources of funds. If the funds collected under the social security system are not adequate, then we have an obligation to provide the financing through general tax revenues as proposed in my social
security proposal. As public servants, we all have obligations to the people we represent. No one has a higher priority than that of providing adequate retirement benefits for our elder citizens.

I was pleased to see the committee's amendment, which seeks to extend Medicare to dependent children aged 60 or over under a new State plan. As public servants, I believe the committee measure is a substantial move in the right direction, for it raises the amount a person may earn without having his social security benefits withheld. I had proposed a base increase to $1,900 but believe the committee measure is a substantial move in the right direction, for it raises the amount a person may earn in 1 month, and still get full benefits, from $1,250 to $1,900. The amount to which the $1 benefit to $2 earning reduction would apply, ranges from $1,800 to $2,800 a year as compared to $1,500 to $2,700 as provided in current law.

I was particularly pleased to see that the committee amendment in no way would affect disabled widows and widowers of covered deceased workers. This new provision will set benefits first payable at age 50 on a graduated basis starting at 50 percent of primary insurance amounts and rising to 82 percent at age 62. An estimated 65,000 disabled widows and widowers will be eligible for benefits when this provision is enacted.

I had hoped that the committee would raise benefits to all widows, disabled or not, at age 62 to 100 percent or the same as the deceased husband's retirement level. I had proposed such an amendment a year ago. Workers disabled at a young age continue to be a concern. I support the committee's expanded bill which adds flexibility to the current law. The new provision allows a worker who becomes disabled to qualify for disability insurance if he worked in one-half of the quarters during the time he was 21 and the time he was disabled, with a minimum of sliding scale payments. An estimated 400,000 people—disabled workers and their dependents—will receive benefits estimated at $70 million under this provision in 1968.

During the past 10 years, social security benefits have increased approximately 27 percent. During the same period, cost of living has increased approximately 14 percent. It is obvious from these statistics that over half of the social security increases simply went to cover rising living costs. I believe it is essential to tie social security benefits to cost of living. I regret that the committee did not include this important new provision as part of its bill.

AID TO DEPENDENT CHILDREN

I view with particular enthusiasm the provisions of the committee's aid to dependent children and their families. Federal funds would be available to States under this provision on a 50-50 basis for cash payments to families who can work with an incentive to seek employment.

I urge that the committee's amendment extending the number of days of hospitalization which can be covered under medicare in one spell of illness from 90 to 120 days. The present limits, however, that the patient pay a coinsurance amount of $20 a day or approximately half of the cost of these 30 additional days. I call attention specifically to the supplemental comments of committee member Mr. Lyman. Representative CURTIS points out:

The real health problems lie in the area of financing catastrophic health costs, which can bankrupt even high affluent families.

Medicare legislation was incorporated into the social security system in 1965. This was a landmark piece of social legislation for it extended medical assistance benefits to include medical assistance. One of the most far reaching and progressive provisions of the Medicare Act was title XX, known as medicare. This provision was aimed at encouraging the local State medical assistance program to provide medical care for needy citizens regardless of age. New York State has been a pioneer in this field. The State has moved with vision to provide a reasonable level of medical assistance for needy citizens.

The new income restrictions placed on eligibility for the medicare program are a tragedy. Many working persons who are unable to meet the high cost of medical expenses, many of them now productive members of society, have to go on welfare in order to receive medical assistance. The new income restrictions will not penalize welfare recipients, but will penalize the self-supporting worker. It is ironic that these new income restrictions are being imposed because the New York program has been so successful. It has been estimated that it will cost New York State over $40 million to maintain the variety of related services it now provides under medicare.

I vigorously oppose this amendment to the Medicare Act as being shortsighted and not attuned to the need of our poor population and entitled to the full range of services a Medicare program could provide as a positive force in securing passage of medical coverage for our disabled citizens and not as just another bureaucratic red tape designed to delay consideration of this issue.

I support the committee's amendment extending the number of days of hospitalization which can be covered under medicare to dependents of Medicare beneficiaries in one spell of illness from 90 to 120 days. The present limits, however, that the patient pay a coinsurance amount of $20 a day or approximate half of the cost of these 30 additional days. I call attention specifically to the supplemental comments of committee member Mr. Lyman. Representative CURTIS points out:

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The new income restrictions placed on eligibility for the medicare program are a tragedy. Many working persons who are
wise, it will be made to the patient. This at least eases the hardship on many older citizens. If a physician is unwilling to submit a bill through medicare, the patient is allowed to submit the itemized bill. In my judgement, this new method will provide flexibility in physician payment. It will not, however, erase one of the basic problems of this supplementary medical insurance program, that is the substantial difference in the fees charged patients by physicians and the allowable fee reimbursement under medicare. The elder citizens are still caught in the middle. I urge that careful study be given the problem of reaching a more closely aligned medicare-physician fee schedule. This problem should be given top priority.

There are many types of health care which have not been incorporated into the medicare program. For instances, the cost of drugs, dental care, and glasses and eye care weigh heavily on many poor elderly Americans. I command the Committee on Ways and Means for requiring the Secretary of Health, Education, and Welfare, to study the question of adding to the services now covered under the supplementary medical insurance program and by requiring him to report to the Congress before January 1, 1969. Again, I urge that the next year be used by the Secretary to find effective ways of incorporating these basic health services into the medicare program.
H. R. 12080

IN THE SENATE OF THE UNITED STATES

AUGUST 18, 1967
Read twice and referred to the Committee on Finance

AN ACT

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

1  Be it enacted by the Senate and House of Representa-
2    tives of the United States of America in Congress assembled,
3  That this Act, with the following table of contents, may be
4  cited as the “Social Security Amendments of 1967”.

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## TITLE I—OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

## PART 1—BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

### INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 101. (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"

<table>
<thead>
<tr>
<th>I (Primary insurance benefits under 1950 Act, as modified)</th>
<th>II (Primary insurance amount under 1955 Act)</th>
<th>III (Average monthly wage)</th>
<th>IV (Primary insurance amount)</th>
<th>V (Maximum family benefits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an individual's primary insurance benefit (as determined under subsec. (a)) is—</td>
<td>Or his primary insurance amount (as determined under subsec. (b)) is—</td>
<td>Or his average monthly wage (as determined under subsec. (b)) is—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
<td>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—</td>
</tr>
<tr>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
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Note: The table above is a simplified representation of the Social Security Act amendments. For a comprehensive understanding, please refer to the original Act text.
**TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued**

<table>
<thead>
<tr>
<th>(Primary insurance benefit under 1959 Act, as modified)</th>
<th>(Primary insurance amount under 1965 Act)</th>
<th>(Average monthly wage)</th>
<th>(Primary insurance amount)</th>
<th>(Maximum family benefits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an individual's primary insurance benefit (as determined under subsection (d)) is—</td>
<td>Or his primary insurance amount (as determined under subsection (b)) is—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
<td>And the maximum amount of benefits payable (as provided in Sec. 205(a)) on the basis of his wages and self-employment income shall be—</td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td>But not more than—</td>
<td>Amount</td>
<td>But not more than—</td>
<td>Amount</td>
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<td>44.89</td>
<td>24.50</td>
<td>83.80</td>
<td>170</td>
<td>14.00</td>
</tr>
</tbody>
</table>

Note: The amounts shown in this table are based on average monthly wages calculated under the provisions of the current law and are subject to change as the law is amended.
1. (b) Section 203 (a) of such Act is amended by striking out paragraph (2) 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 the second month following the month in which the Social Security Amendments of 1967 are enacted on the basis of the wages and self-employment income of such insured individual, such total of benefits for such

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### Table for Determining Primary Insurance Amount and Maximum Family Benefits—Continued

<table>
<thead>
<tr>
<th>(Primary insurance benefit under 1965 Act, as modified)</th>
<th>(Primary insurance amount under 1965 Act)</th>
<th>(Average monthly wage)</th>
<th>(Primary insurance amount)</th>
<th>(Maximum family benefits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an individual's primary insurance benefit (as deter...</td>
<td>Or his primary insurance amount (as deter...</td>
<td>Or his average monthly wage (as determined under subsec. (b)) is—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
<td>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—</td>
</tr>
<tr>
<td>At least but not more than</td>
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<td>At least but not more than</td>
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second month or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) 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 such second month, for each such person for such second month, by 112.5 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), and (ii) if section 202 (k) (2) (A) was applicable in the case of any such benefits for such second month, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for such second month, or".
(c) (1) Section 215(b) (4) of such Act is amended to read as follows:

"(4) The provisions of this subsection shall be applicable only in the case of an individual—

"(A) who becomes entitled, in or after the second month following the month in which the Social Security Amendments of 1967 are enacted, to benefits under section 202(a) or section 223; or

"(B) who dies in or after such second month without being entitled to benefits under section 202(a) or section 223; or

"(C) whose primary insurance amount is required to be recomputed under subsection (f) (2)."

(2) Section 215(b) (5) of such Act is repealed.

(d) Section 215(c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1965 Act

"(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 on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1967.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became en-
to benefits under section 202 (a) or section 223 before
the second month following the month in which the Social
Security Amendments of 1967 are enacted or who died
before such second month."

(e) The amendments made by this section shall apply
with respect to monthly benefits under title II of the
Social Security Act for and after the second month fol­
lowing the month in which this Act is enacted and with
respect to lump-sum death payments under such title in the
case of deaths occurring in or after such second month.

(f) If an individual was entitled to a disability insur­
ance benefit under section 223 of the Social Security Act
for the month following the month in which this Act is en­
acted and became entitled to old-age insurance benefits under
section 202 (a) of such Act for the second month following
the month in which this Act is enacted, or he died in such
second month, 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 the primary insurance
amount on which his disability insurance benefit is based.
INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 102. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$35" and inserting in lieu thereof "$40", and by striking out "$17.50" and inserting in lieu thereof "$20".

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$35" and inserting in lieu thereof "$40".

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40".

(2) Section 228 (b) (2) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40", and by striking out "$17.50" and inserting in lieu thereof "$20".

(3) Section 228 (c) (2) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$20".

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40".

(5) Section 228 (c) (3) (B) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$20".

(c) The amendments made by subsections (a) and (b) shall apply with respect to 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.
MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT

SEC. 103. (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

"(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month, or (B) $105."

(b) Section 202(c)(3) of such Act is amended to read as follows:

"(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of his wife for such month, or (B) $105."

(c) Section 202(e)(4) of such Act is amended by striking out "50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based" and inserting in lieu thereof "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105".

(d) Section 202(f)(5) of such Act is amended by
striking out “50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based” and inserting in lieu thereof “whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105”.

(e) The amendments made by subsections (a), (b), (c), and (d) shall apply with respect to 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.

BENEFITS TO DISABLED WIDOWS AND WIDowers

SEC. 104. (a) (1) Subparagraph (B) of section 202 (e) (1) of the Social Security Act is amended to read as follows:

“(B) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223 (d)) which began before the end of the period specified in paragraph (5),”.

(2) So much of section 202 (e) (1) of such Act as follows subparagraph (E) is amended to read as follows: “shall be entitled to a widow’s insurance benefit for each month, beginning with—
"(F) if she satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

"(G) if she satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if she was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (5) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, becomes entitled to an old-age insurance benefit equal to or exceeding 82\( \frac{1}{2} \) percent of the primary insurance amount of such deceased individual, or, if she became entitled to such benefits before she attained age 60, the third month following the month in which her disability ceases (unless she attains age 62 on or before the last day of such third month)."
(3) Section 202 (e) of such Act is further amended by
adding after paragraph (4) the following new paragraphs:

"(5) The period referred to in paragraph (1) (B) (ii),
in the case of any widow or surviving divorced wife, is the
period beginning with whichever of the following is the
latest:

"(A) the month in which occurred the death of
the fully insured individual referred to in paragraph (1)
on whose wages and self-employment income her be­
fits are or would be based, or

"(B) the last month for which she was entitled to
mother's insurance benefits on the basis of the wages and
self-employment income of such individual, or

"(C) the month in which a previous entitlement
to widow's insurance benefits on the basis of such wages
and self-employment income terminated because her
disability had ceased,

and ending with the month before the month in which she
attains age 60, or, if earlier, with the close of the eighty­
fourth month following the month with which such period
began.

"(6) The waiting period referred to in paragraph (1)
(G), in the case of any widow or surviving divorced wife, is
the earliest period of six consecutive calendar months—
“(A) throughout which she has been under a dis-
ability, and

“(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which her applica-
tion is filed, or (ii) the first day of the sixth month be-
fore the month in which the period specified in para-
graph (5) begins.”

(b) (1) Subparagraph (B) of section 202(f)(1) of such Act is amended to read as follows:

“(B) (i) has attained age 62, or (ii) has attained age 50 but has not attained age 62 and is under a dis-
ability (as defined in section 223(d)) which began before the end of the period specified in paragraph
(6),”.

(2) So much of section 202(f)(1) of such Act as follows subparagraph (E) is amended to read as follows:

“shall be entitled to a widower’s insurance benefit for each month, beginning with—

“(F) if he satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or

“(G) if he satisfies subparagraph (B) by reason of clause (ii) thereof—
“(i) the first month after his waiting period (as defined in paragraph (7)) in which he becomes so entitled to such insurance benefits, or
“(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (6) and (II) after the month in which a previous entitlement to such benefits on such basis terminated, and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding 82\frac{1}{2} percent of the primary insurance amount of his deceased wife, or the third month following the month in which his disability ceases (unless he attains age 62 on or before the last day of such third month).”

(3) Section 202 (f) (3) of such Act is amended by inserting “subsection (q) and” after “provided in”.

(4) Section 202 (f) of such Act is further amended by adding after paragraph (5) the following new paragraphs:
“(6) The period referred to in paragraph (1) (B) (ii),
in the case of any widower, is the period beginning with
whichever of the following is the latest:

"(A) the month in which occurred the death of the
fully insured individual referred to in paragraph (1)
on whose wages and self-employment income his ben­
fits are or would be based, or

"(B) the month in which a previous entitlement
to widower's insurance benefits on the basis of such
wages and self-employment income terminated because
his disability had ceased,

and ending with the month before the month in which he
attains age 62, or, if earlier, with the close of the eighty­
fourth month following the month with which such period
began.

"(7) The waiting period referred to in paragraph (1)
(G), in the case of any widower, is the earliest period of
six consecutive calendar months—

"(A) throughout which he has been under a dis­
ability, and

"(B) which begins not earlier than with whichever
of the following is the later: (i) the first day of the
eighteenth month before the month in which his applica­
tion is filed, or (ii) the first day of the sixth month be­
fore the month in which the period specified in para­
graph (6) begins."
(c) (1) The heading of section 202 (q) of such Act is amended to read as follows:

"Reduction of Benefit Amounts for Certain Beneficiaries"

(2) So much of section 202 (q) (1) of such Act as precedes subparagraph (A) is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(3) Subparagraph (A) of section 202 (q) (1) of such Act is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(4) Section 202 (q) (1) of such Act is amended by adding at the end thereof the following:

"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—"

"(C) 4% of 1 percent of the amount of such benefit, multiplied by"

"(D) (i) the number of months in the additional 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 additional 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."

(5) Section 202(q)(3)(A) of such Act is amended—
(A) by striking out "or widow's" each place it ap­
ppears and inserting in lieu thereof "widow's, or widow­
er's";

(B) by striking out "a widow's" and inserting in lieu thereof "a widow's or widower's"; and

(C) by striking out "60" and inserting in lieu thereof "50".

(6) Section 202(q)(3)(C) of such Act is amended
by striking out "or widow's" each time it appears and insert­
ing in lieu thereof "widow's, or widower's".

(7) Section 202(q)(3)(D) of such Act is amended
by striking out "or widow's" and inserting in lieu thereof
"widow's, or widower's".

(8) Section 202(q)(3)(E) of such Act is amended—
(A) by striking out "(or would, but for subsection
(e) (1), be)" and inserting in lieu thereof "(or would,
but for subsection (e) (1) in the case of a widow or
surviving divorced wife or subsection (f) (1) in the case
of a widower, be)";

(B) by striking out "widow's" each place it ap­
ppears and inserting in lieu thereof "widow's or widower's"; and
(C) by striking out "she" and inserting in lieu thereof "she or he".

(9) Section 202 (q) (3) (F) of such Act is amended—

(A) by striking out "(or would, but for subsection (e) (1), be)" and inserting in lieu thereof "(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" each place it appears and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "she" and inserting in lieu thereof "she or he".

(10) Section 202 (q) (3) (G) of such Act is amended—

(A) by striking out "(or would, but for subsection (e) (1), be)" and inserting in lieu thereof "(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "he" and inserting in lieu thereof "she or he".

(11) Section 202 (q) (6) of such Act is amended to read as follows:

"(6) For the purposes of this subsection—
“(A) the ‘reduction period’ for an individual’s old-age, wife’s, husband’s, widow’s, or widower’s insurance benefit is the period—

“(i) beginning—

“(I) in the case of an old-age or husband’s insurance benefit, with the first day of the first month for which such individual is entitled to such benefit, or

“(II) in the case of a wife’s insurance benefit, with the first day of the first month for which a certificate described in paragraph (5) (A) (i) is effective, or

“(III) in the case of a widow’s or widower’s insurance benefit, with the first day of the first month for which such individual is entitled to such benefit or the first day of the month in which such individual attains age 60, whichever is the later, and

“(ii) ending with the last day of the month before the month in which such individual attains retirement age; and

“(B) the ‘additional reduction period’ for an individual’s widow’s or widower’s insurance benefit is the period—

“(i) beginning with the first day of the first
month for which such individual is entitled to such benefit, but only if such individual has not attained age 60 in such first month, and

"(ii) ending with the last day of the month before the month in which such individual attains age 60."

(12) Section 202 (q) (7) of such Act is amended—

(A) by inserting “or ‘additional adjusted reduction period’” after “the ‘adjusted reduction period’”;

(B) by striking out “or widow’s” and inserting in lieu thereof “widow’s, or widower’s”;

(C) by inserting “or additional reduction period (as the case may be)” after “the reduction period”;

and

(D) by striking out “widow’s” in subparagraph (E) and inserting in lieu thereof “widow’s or widower’s”, by striking out “she” each place it appears in such subparagraph and inserting in lieu thereof “she or he”, and by striking out “her” in such subparagraph and inserting in lieu thereof “her or his”.

(13) Section 202 (q) (9) of such Act is amended by striking out “widow’s” and inserting in lieu thereof “widow’s or widower’s”.

(d) (1) (A) The third sentence of section 203 (c) of such Act is amended by striking out “or any subsequent
1 month” and inserting in lieu thereof “or any subsequent
2 month; nor shall any deduction be made under this subsec-
3 tion from any widow’s insurance benefit for any month in
4 which the widow or surviving divorced wife is entitled and
5 has not attained age 62 (but only if she became so entitled
6 prior to attaining age 60), or from any widower’s insurance
7 benefit for any month in which the widower is entitled and
8 has not attained age 62”.
9
10 (B) The third sentence of section 203 (f) (1) of such
11 Act is amended by striking out “or (D)” and inserting in
12 lieu thereof the following: “(D) for which such individual
13 is entitled to widow’s insurance benefits and has not attained
14 age 62 (but only if she became so entitled prior to attain-
15 ing age 60) or widower’s insurance benefits and has not
16 attained age 62, or (E)”.
17
18 (C) Section 203 (f) (2) of such Act is amended by
19 striking out “and (D)” and inserting in lieu thereof “(D),
20 and (E)”.
21
22 (D) Section 203 (f) (4) of such Act is amended by
23 striking out “(D)” and inserting in lieu thereof “(E)”.
24
25 (2) Section 216 (i) (1) of such Act is amended by
26 inserting “202 (e), 202 (f),” after “202 (d),”.
27
28 (3) (A) Section 222 (a) of such Act is amended by
29 inserting “widow’s insurance benefits, or widower’s insurance
30 benefits,” after “benefits,”.
(B) Section 222 (b) (1) of such Act is amended by striking out "child's insurance benefits or if" and inserting in lieu thereof "child's insurance benefits, a widow or surviving divorced wife who has not attained age 60, a widower who has not attained age 62, or".

(4) (A) Section 222 (d) (1) of such Act is amended by inserting "or" at the end of subparagraph (B), and by inserting after such subparagraph the following new subparagraphs:

"(C) entitled to widow's insurance benefits under section 202 (e) prior to attaining age 60, or

"(D) entitled to widower's insurance benefits under section 202 (f) prior to attaining age 62,".

(B) Section 222 (d) (1) of such Act is further amended by striking out "who have attained age 18 and are under a disability," in the first sentence and inserting in lieu thereof the following: "who have attained age 18 and are under a disability, the benefits under section 202 (e) for widows and surviving divorced wives who have not attained age 60 and are under a disability, the benefits under section 202 (f) for widowers who have not attained age 62,".

(5) (A) The first sentence of section 225 of such Act is amended by inserting after "under section 202 (d)," the following: "or that a widow or surviving divorced wife who has not attained age 60 and is entitled to benefits under
section 202 (e), or that a widower who has not attained age
62 and is entitled to benefits under section 202 (f), ".

(B) The first sentence of section 225 of such Act is
further amended by striking out "223 or 202 (d)" and in-
serting in lieu thereof "202 (d), 202 (e), 202 (f), or 223".

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

INSURED STATUS FOR YOUNGER DISABLED WORKERS
SEC. 105. (a) Subparagraph (B) (ii) of section
216 (i) (3) of the Social Security Act is amended by strik-
ing out "and he is under a disability by reason of blindness
(as defined in paragraph (1))".

(b) Subparagraph (B) (ii) of section 223 (c) (1) of
such Act is amended by striking out "before he attains"
and inserting in lieu thereof "before the quarter in which
he attains", and by striking out "and he is under a disability
by reason of blindness (as defined in section 216 (i) (1))".

(c) The amendment made by subsection (a) shall
apply only with respect to applications for disability deter-
minations filed under section 216 (i) of the Social Security
Act in or after the month in which this Act is enacted. The
amendments made by subsection (b) shall apply with respect to monthly benefits under title II of such Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

SEC. 106. Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

"SEC. 229. (a) For purposes of determining entitlement to and the amount of any monthly benefit for any month after December 1967, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any individual, and for purposes of section 216 (i) (3), such individual shall be deemed to have been paid, in each calendar quarter occurring after 1967 in which he was paid wages for service as a member of a uniformed service (as defined in section 210 (m)) which was included in the term 'employment' as defined in section 210 (a) as a result of the provisions
of section 210 (1), wages (in addition to the wages actually paid to him for such service) of—

"(1) $100 if the wages actually paid to him in such quarter for such services were $100 or less,

"(2) $200 if the wages actually paid to him in such quarter for such services were more than $100 but not more than $200, or

"(3) $300 in any other case.

"(b) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund annually, as benefits under this title and part A of title XVIII are paid after December 1967, such sums as the Secretary determines to be necessary to meet (1) the additional costs, resulting from subsection (a), of such benefits (including lump-sum death payments), (2) the additional administrative expenses resulting therefrom, and (3) any loss in interest to such trust funds resulting from the payment of such amounts. Such additional costs shall be determined after any increases in such benefits arising from the application of section 217 have been made."

LIBERALIZATION OF EARNINGS TEST

Sec. 107. (a) (1) Paragraphs (1), (3), and (4) (B) of section 203 (f) of the Social Security Act are each
amended by striking out "$125" and inserting in lieu thereof "$140".

(2) Paragraph (1) (A) of section 203 (h) of such Act is amended by striking out "$125" and inserting in lieu thereof "$140".

(b) The amendments made by subsection (a) shall apply with respect to taxable years ending after December 1967.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 108. (a) (1) (A) Section 209 (a) (4) of the Social Security Act is amended by inserting "and prior to 1968" after "1965".

(B) Section 209 (a) of such Act is further amended by adding at the end thereof the following new paragraph:

"(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $7,600 with respect to employment has been paid to an individual during any calendar year after 1967, is paid to such individual during such calendar year;".

(2) (A) Section 211 (b) (1) (D) of such Act is amended by inserting "and prior to 1968" after "1965", 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 subparagrap:\n
\[\text{"(E) For any taxable year ending after 1967,}\]
\[\text{(ii) \$7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".}\]

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out “after 1965” and inserting in lieu thereof “after 1965 and before 1968, or \$7,600 in the case of a calendar year after 1967”.

(B) Section 213 (a) (2) (iii) of such Act is amended by striking out “after 1965” and inserting in lieu thereof “after 1965 and before 1968, or \$7,600 in the case of a taxable year ending after 1967”.

(4) Section 215 (e) (1) of such Act is amended by striking out “and the excess over \$6,600 in the case of any calendar year after 1965” and inserting in lieu thereof “the excess over \$6,600 in the case of any calendar year after 1965 and before 1968, and the excess over \$7,600 in the case of any calendar year after 1967”.

(b) (1) (A) Section 1402 (b) (1) (D) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting “and before 1968” after “1965”, 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:

"(E) for any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2) Section 3121 (a) (1) of such Code (relating to definition of wages) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

(3) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$6,600" and inserting in lieu thereof "$7,600".

(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

(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 1968" after "the calendar year 1965";

(B) by inserting after "exceed $6,600," the following: "or (D) during any calendar year after the calendar year 1967, the wages received by him during such year exceed $7,600,"; and
(C) by inserting before the period at the end thereof the following: "and before 1968, or which exceeds the tax with respect to the first $7,600 of such wages received in such calendar year after 1967".

(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 $6,600 for any calendar year after 1965" and inserting in lieu thereof "$6,600 for the calendar year 1966 or 1967, or $7,600 for any calendar year after 1967".

(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 1967. The amendments made by subsections (a) (2), (a) (3) (B), and (b) (1) shall apply only with respect to taxable years ending after 1967. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1967.

CHANGES IN TAX SCHEDULES

Sec. 109. (a) (1) Section 1401 (a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and
disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) 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;

"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1971, the tax shall be equal to 6.3 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, 1970, and before January 1, 1973, the tax shall be equal to 6.9 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."

(2) Section 3101 (a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs...
(1), (2), (3), and (4) and inserting in lieu thereof the following:

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

"(2) with respect to wages received during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages received after December 31, 1972, the rate shall be 5.0 percent."

(3) Section 3111 (a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

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

"(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages paid during the cal-
(b) (1) Section 1401 (b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

“(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 0.50 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, 1968, and before January 1, 1973, the tax shall be equal to 0.60 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 0.65 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 0.70 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 0.80 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 0.90 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101 (b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"(2) with respect to wages received during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(3) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"(4) with respect to wages received during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"(5) with respect to wages received during the cal-
endar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"(6) with respect to wages received after December 31, 1986, the rate shall be 0.90 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"(2) with respect to wages paid during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(3) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"(4) with respect to wages paid during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"(5) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"(6) with respect to wages paid after December 31, 1986, the rate shall 0.90 percent."
(c) The amendments made by subsections (a) (1) and (b) (1) shall apply only with respect to taxable years beginning after December 31, 1967. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1967.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 110. (a) Section 201 (b) (1) of the Social Security Act is amended—

(1) by inserting “(A)” after “(1)”;

(2) by striking out “1954, and” and inserting in lieu thereof “1954, (B)”;

(3) by inserting “and before January 1, 1968,” after “December 31, 1965,”; and

(4) by inserting after “so reported,” the following:

“and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and so reported,”.

(b) Section 201 (b) (2) of such Act is amended—

(1) by inserting “(A)” after “(2)”;

(2) by striking out “1966, and” and inserting in lieu thereof “1966, (B)”; and

(3) by inserting after “December 31, 1965,” the following: “and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967,.”.
PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

COVERAGE OF MINISTERS

SEC. 115. (a) The last sentence of section 211(c) of the Social Security Act is amended to read as follows:

"The provisions of paragraph (4) or (5) shall not apply to service performed by an individual unless an exemption under section 1402(e) of the Internal Revenue Code of 1954 is effective with respect to him."

(b) (1) The last sentence of section 1402(c) of the Internal Revenue Code of 1954 (relating to definition of trade or business) is amended to read as follows:

"The provisions of paragraph (4) or (5) shall not apply to service performed by an individual unless an exemption under subsection (e) is effective with respect to him."

(2) Section 1402(e) of such Code (relating to ministers, members of religious orders, and Christian Science practitioners) is amended to read as follows:

"(e) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—

"(1) EXEMPTION.—Any individual who is (A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order or (B) a Christian Science practitioner, upon filing an application (in such form and manner, and with such official, as may be
prescribed by regulations made under this chapter) to­
gether with a statement that he is conscientiously op­
posed to the acceptance (with respect to services
performed by him as such minister, member, or prac­
titioner) of any public insurance which makes pay­
ments 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 bene­
fits of any insurance system established by the Social
Security Act), shall receive an exemption from the tax
imposed by this chapter with respect to services per­
formed by him as such minister, member, or practi­
tioner. Notwithstanding the preceding sentence,
an exemption may not be granted to an individual
under this subsection if he had filed an effective waiver
certificate under this section as it was in effect before
its amendment in 1967.

"(2) TIME FOR FILING APPLICATION.—Any indi­
vidual who desires to file an application pursuant to
paragraph (1) must file such application on or before
whichever of the following dates is later: (A) the due
date of the return (including any extension thereof) for
the second taxable year 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 (B) the due date of the return (including any extension thereof) for his second taxable year ending after 1967.

"(3) Effective date of exemption.—An exemption received by an individual pursuant to this subsection shall be effective for the first taxable year 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), and for all succeeding taxable years. An exemption received pursuant to this subsection shall be irrevocable."

(c) The amendments made by subsections (a) and (b) shall apply only with respect to taxable years ending after 1967.

Coverage of State and Local Employees

Sec. 116. (a) Section 218 (d) (6) (D) of the Social Security Act is amended by inserting "(i)" after "(D)", and by adding at the end thereof the following:

"(ii) Notwithstanding clause (i), the State may, pursuant to subsection (c) (4) (B) and subject to the conditions of continuation or termination of coverage provided for in
subsection (c) (7), modify its agreement under this section
to include services performed by all individuals described in
clause (i) other than those individuals to whose services the
agreement already applies. Such individuals shall be deemed
(on and after the effective date of the modification) to be
in positions covered by the separate retirement system
consisting of the positions of members of the division or part
who desire coverage under the insurance system established
under this title.”

(b) (1) (A) Section 218 (c) (3) of such Act is amended
by striking out subparagraph (A), and by redesignating
subparagraphs (B) and (C) as subparagraphs (A) and
(B), respectively.

(B) Paragraphs (4) and (7) of section 218 (c) of
such Act, and paragraph (5) (B) of section 218 (d) of such
Act, are each amended by striking out “paragraph (3) (C)”
wherever it appears and inserting in lieu thereof “paragraph
(3) (B)”.

(C) Paragraph (4) (C) of section 218 (d) of such
Act is amended by striking out “subsection (c) (3) (C)”
and inserting in lieu thereof “subsection (c) (3) (B)”.

(2) Section 218 (c) (6) of such Act is amended—
(A) by striking out “and” at the end of subpara-
graph (C);

(B) by striking out the period at the end of sub-
paragraph (D) and inserting in lieu thereof "", and";
and

(C) by adding at the end thereof the following new subparagraph:

"(E) service performed by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency."

(3) The amendments made by this subsection shall be effective with respect to services performed on or after January 1, 1968.

(c) Section 218 (c) of such Act is amended by adding at the end thereof the following new paragraph:

"(8) Notwithstanding any other provision of this section, the agreement with any State entered into under this section may at the option of the State be modified on or after January 1, 1968, to exclude service performed by election officials or election workers if the remuneration paid in a calendar quarter for such service is less than $50. Any modification of an agreement pursuant to this paragraph shall be effective with respect to services performed after an effective date, specified in such modification, which shall not be earlier than the last day of the calendar quarter in which the modification is mailed or delivered by other means to the Secretary."
INCLUSION OF ILLINOIS AMONG STATES PERMITTED TO

DIVIDE THEIR RETIREMENT SYSTEMS

SEC. 117. Section 218 (d) (6) (C) of the Social Security Act is amended by inserting "Illinois," after "Georgia."

TAXATION OF CERTAIN EARNINGS OF RETIRED PARTNER

SEC. 118. (a) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out "and" at the end of paragraph (8);

(2) by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) there shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary of the Treasury or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner’s death, if—

"(A) such partner rendered no services with respect to any trade or business carried on by such
partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

“(B) no obligation exists (as of the close of the partnership’s taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

“(C) such partner’s share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership’s taxable year referred to in subparagraph (A).”

(b) Section 211 (a) of the Social Security Act is amended—

(1) by striking out “and” at the end of paragraph (7);

(2) by striking out the period at the end of paragraph (8) and inserting in lieu thereof “; and”; and

(3) by inserting after paragraph (8) the following new paragraph:

“(9) There shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed
by the Secretary of the Treasury or his delegate, and
which provides for payments on account of retirement,
on a periodic basis, to partners generally or to a class
or classes of partners, such payments to continue at least
until such partner’s death, if—

“(A) such partner rendered no services with
respect to any trade or business carried on by such
partnership (or its successors) during the taxable
year of such partnership (or its successors), ending
within or with his taxable year, in which such
amounts were received, and

“(B) no obligation exists (as of the close of
the partnership’s taxable year referred to in sub­
paragraph (A)) from the other partners to such
partner except with respect to retirement payments
under such plan, and

“(C) such partner’s share, if any, of the cap­
ital of the partnership has been paid to him in full
before the close of the partnership’s taxable year
referred to in subparagraph (A).”

(c) The amendments made by this section shall apply
only with respect to taxable years ending on or after De­
ember 31, 1967.
PART 3—HEALTH INSURANCE BENEFITS

METHOD OF PAYMENT TO PHYSICIANS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 125. (a) Section 1842 (b) (3) (B) of the Social Security Act is amended—

(1) by striking out "(i)"; and

(2) by striking out "and (ii)" and all that follows and inserting in lieu thereof the following: "and such payment will be made—

"(i) on the basis of a receipted bill; or

"(ii) on the basis of an assignment under the terms of which the reasonable charge is the full charge for the service; or

"(iii) on the basis of an itemized bill (I) to the physician or other person providing the service, if such bill is submitted by him in such form and manner as the Secretary may prescribe and within such time as may be specified in regulations and the full charge is found not to exceed the reasonable charge for the service, or (II) to the individual receiving the service, if payment is not made in accordance with clause (I) (either because the charge made is found to exceed the reasonable
charge for the service, or because the physician or
other person providing the service fails to submit
the bill under clause (I) within the time specified
or directs that payment be made to the individual
receiving the service) and the bill is submitted in
such form and manner as the Secretary may pre-
scribe;
but only if the bill is submitted, or a written request for
payment is made in such other form as may be per-
mitted under regulations, no later than the close of the
calendar year following the year in which such service
is furnished (deeming any service furnished in the last
3 months of any calendar year to have been furnished
in the succeeding calendar year);”.
(b) The amendments made by subsection (a) shall
apply with respect to payments made under part B of title
XVIII of the Social Security Act on the basis of bills re-
ceived after December 31, 1967.

ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICA-
TION IN CASE OF CERTAIN HOSPITAL SERVICES

Sec. 126. (a) Section 1814(a) of the Social Security
Act (as amended by section 129(c) (5) of this Act) is
amended—
(1) by striking out subparagraph (A) of paragraph (2);

(2) by redesignating subparagraphs (B), (C), (D), and (E) of paragraph (2) as subparagraphs (A), (B), (C), and (D), respectively;

(3) by redesignating paragraphs (3), (4), (5), and (6) as paragraphs (4), (5), (6), and (7), respectively;

(4) by inserting immediately after paragraph (2) the following new paragraph:

"(3) with respect to inpatient hospital services (other than inpatient psychiatric hospital services and inpatient tuberculosis hospital services) which are furnished over a period of time, a physician certifies that such services are required to be given on an inpatient basis for such individual's medical treatment, or that inpatient diagnostic study is medically required and such services are necessary for such purpose, except that (A) such certification shall be furnished only in such cases, with such frequency, and accompanied by such supporting material, appropriate to the cases involved, as may be provided by regulations, and (B) the first such..."
certification required in accordance with clause (A) shall be furnished no later than the 20th day of such period;”; and

(5) by striking out “(D), or (E)” in the last sentence and inserting in lieu thereof “or (D)”.

(b) Section 1835 (a) (2) (B) of such Act is amended by inserting after “medical and other health services,” the following: “except services described in subparagraphs (B) and (C) of section 1861 (s) (2),”.

c) The amendments made by this section shall apply with respect to services furnished after the date of the enactment of this Act.

INCLUSION OF PODIATRISTS’ SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Sec. 127. (a) Section 1861 (r) of the Social Security Act is amended—

(1) by striking out “or (2)” and inserting in lieu thereof “(2)”; and

(2) by inserting before the period at the end thereof the following: “, or (3) except for the purposes of section 1814 (a), section 1835, and subsection (k) of this section, a doctor of podiatry or surgical chiropody, but (unless clause (1) of this subsection also applies to him) only with respect to functions which he is legally autho-
ized to perform as such by the State in which he per-
forms them”.

(b) Section 1862 (a) of such Act is amended—

(1) by striking out “or” at the end of paragraph (11);

(2) by striking out the period at the end of para-
graph (12) and inserting in lieu thereof “; or”; and

(3) by adding after paragraph (12) the follow-
ing new paragraph:

“(13) where such expenses are for—

“(A) the treatment of flat foot conditions and
the prescription of supportive devices therefor,

“(B) the treatment of subluxations of the foot,
or

“(C) routine foot care (including the cutting
or removal of corns, warts, or calluses, the trimming
of nails, and other routine hygienic care).”

(c) The amendments made by subsections (a) and
(b) shall apply with respect to services furnished after
December 31, 1967.

EXCLUSION OF CERTAIN SERVICES

SEC. 128. Section 1862 (a) (7) of the Social Security
Act is amended by inserting after “changing eyeglasses,” the
following: “procedures performed (during the course of any
eye examination) to determine the refractive state of the eyes,"

TRANSFER OF ALL OUTPATIENT HOSPITAL SERVICES TO SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 129. (a) Section 1861(s) (2) of the Social Security Act is amended—

(1) by inserting "(A)" after "(2)";

(2) by striking out "physicians' bills" and all that follows and inserting in lieu thereof the following:

"physicians' bills;

"(B) hospital services (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) incident to physicians' services rendered to outpatients; and

"(C) diagnostic services which are—

"(i) furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital, and

"(ii) ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study;".

(b) Section 1861(s) of such Act is further amended by adding at the end thereof (after and below paragraph (11)) the following new sentence:

"There shall be excluded from the diagnostic services speci-
fied in paragraph (2) (C) any item or service (except services referred to in paragraph (1)) which—

"(12) would not be included under subsection (b) if it were furnished to an inpatient of a hospital; or

"(13) is furnished under arrangements referred to in such paragraph (2) (C) unless furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff."

(c) (1) Section 226(b) (1) of such Act is amended by striking out "post-hospital home health services, and outpatient hospital diagnostic services" and inserting in lieu thereof "and post-hospital home health services".

(2) Section 1812 (a) of such Act is amended—

(A) by adding "and" at the end of paragraph (2);

(B) by striking out "; and" at the end of paragraph (3) and inserting in lieu thereof a period; and

(C) by striking out paragraph (4).

(3) Section 1813 (a) of such Act is amended by striking out paragraph (2), and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(4) (A) Section 1813 (b) (1) of such Act is amended by striking out "or diagnostic study".

(B) The first sentence of section 1813 (b) (2) of such Act is amended by striking out "or diagnostic study".

(5) (A) Section 1814 (a) (2) of such Act is amended—
(i) by adding “or” at the end of subparagraph (D);
(ii) by striking out “or” at the end of subparagraph (E); and
(iii) by striking out subparagraph (F).

(B) The last sentence of section 1814 (a) of such Act is amended by striking out “(E), or (F)” and inserting in lieu thereof “or (E)”.

(6) Section 1814 (d) of such Act is amended by striking out “or outpatient hospital diagnostic services”.

(7) Section 1833 (b) of such Act is amended—

(A) by striking out “(or regarded under clause (2) as incurred in such preceding year with respect to services furnished in such last three months)”;

(B) by striking out “; and (2)” and all that follows and inserting in lieu thereof a period.

(8) Section 1833 (d) of such Act is amended by striking out “other than subsection (a) (2) (A) thereof”.

(9) (A) Section 1835 (a) of such Act is amended by striking out “Payment” and inserting in lieu thereof “Except as provided in subsection (b), payment”.

(B) Section 1835 of such Act is further amended by redesignating subsection (b) as subsection (c), and by inserting after subsection (a) the following new subsection:

“(b) Payment may also be made to any hospital for
(C) Section 1861 (e) of such Act is amended—

(i) by striking out “except for purposes of sec-

section 1814 (d),” and inserting in lieu thereof “except

for purposes of sections 1814 (d) and 1835 (b),”; and

(ii) by striking out “(including determination of

whether an individual received inpatient hospital serv-

ices for purposes of such section)” and inserting in lieu

thereof “and 1835 (b) (including determination of

whether an individual received inpatient hospital serv-

ices or diagnostic services for purposes of such sections)”.

(10) Section 1861 (p) of such Act is repealed.

(11) Section 1861 (y) (3) of such Act is amended by

striking out “1813 (a) (4)” and inserting in lieu thereof

“1813 (a) (3)”. 
(12) (A) Section 1866 (a) (2) (A) of such Act is amended—

(i) by striking out “, (a) (2), or (a) (4)” and inserting in lieu thereof “or (a) (3)”; and

(ii) by striking out “or, in the case of outpatient hospital diagnostic services, for which payment is made under part A”.

(B) Section 1866 (a) (2) (C) of such Act is amended by striking out “1813 (a) (3)” and inserting in lieu thereof “1813 (a) (2)”.

(13) Section 21 (a) of the Railroad Retirement Act of 1937 is amended by striking out “post-hospital home health services, and outpatient hospital diagnostic services” and inserting in lieu thereof “and post-hospital home health services”.

(d) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.

BILLING BY HOSPITAL FOR SERVICES FURNISHED TO OUTPATIENTS

Sec. 130. (a) Section 1835 (a) of the Social Security Act (as amended by section 129 (c) (9) (A) of this Act) is further amended by striking out “Except as provided in subsection (b),” and inserting in lieu thereof “Except as
provided in subsections (b) and (c)’.

(b) Section 1835 of such Act (as amended by section 129(c)(9)(B) of this Act) is amended by redesignating subsection (c) (as redesignated) as subsection (d), and by inserting after subsection (b) the following new subsection:

“(c) Notwithstanding the provisions of this section and sections 1832, 1833, and 1866(a)(1)(A), a hospital may, subject to such limitations as may be prescribed by regulations, collect from an individual the customary charges for services specified in subparagaphs (B) and (C) of section 1861(s)(2) and furnished to him by such hospital, but only if such charges for such services do not exceed $50, and such customary charges shall be regarded as expenses incurred by such individual with respect to which benefits are payable in accordance with section 1833(a)(1). Payments under this title to hospitals which have elected to make collections from individuals in accordance with the preceding sentence shall be adjusted periodically to place the hospital in the same position it would have been had it instead been reimbursed in accordance with section 1833(a)(2).”

(c) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.
PAYMENT OF REASONABLE CHARGES FOR RADIOLOGICAL
OR PATHOLOGICAL SERVICES FURNISHED BY CERTAIN
PHYSICIANS TO HOSPITAL INPATIENTS

Sec. 131. (a) Section 1833 (a) (1) of the Social Secu-

rity Act is amended—

(1) by striking out “except that” and inserting
in lieu thereof “except that (A)”, and

(2) by striking out “of subsection (b)” and in-
serting in lieu thereof “of subsection (b), and (B) with
respect to expenses incurred for radiological or patho-
logical services for which payment may be made under
this part, furnished to an inpatient of a hospital by a
physician in the field of radiology or pathology, the
amounts paid shall be equal to 100 percent of the rea-
sonable charges for such services”.

(b) Section 1833 (b) of such Act (as amended by sec-
tion 129 (c) (7) of this Act) is amended by inserting before
the period at the end thereof the following: “, and (2) such
total amount shall not include expenses incurred for radi-
logical or pathological services furnished to such individual
as an inpatient of a hospital by a physician in the field of
radiology or pathology”.

(c) The amendments made by this section shall apply
with respect to services furnished after December 31, 1967.
PAYMENT FOR PURCHASE OF DURABLE MEDICAL EQUIPMENT

Sec. 132. (a) Section 1861(s) (6) of the Social Security Act is amended by striking out “rental of”, and by inserting before the semicolon at the end thereof the following: “, whether furnished on a rental basis or purchased”.

(b) Section 1833 of such Act is amended by adding at the end thereof the following new subsection:

“(f) In the case of the purchase of durable medical equipment included under section 1861(s) (6), by or on behalf of an individual, payment shall be made in such amounts as the Secretary determines to be equivalent to payments that would have been made under this part had such equipment been rented and over such period of time as the Secretary finds such equipment would be used for such individual’s medical treatment, except that with respect to purchases of inexpensive equipment (as determined by the Secretary) payment may be made in a lump sum if the Secretary finds that such method of payment is less costly or more practical than periodic payments.”

(c) The amendments made by this section shall apply only with respect to items purchased after December 31, 1967.
PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED
BY HOSPITAL TO OUTPATIENTS

SEC. 133. (a) Subparagraph (B) of section 1861 (s) (2) of the Social Security Act (as amended by section 129 (a) (2) of this Act) is amended by striking out ‘‘; and’’ and inserting in lieu thereof ‘‘and physical therapy furnished to an outpatient, in a place of residence used as such outpatient’s home, by a hospital or by others under arrangements with them made by such hospital if such therapy is under the supervision of such hospital; and’’.

(b) The amendment made by subsection (a) shall apply to services furnished after December 31, 1967.

PAYMENT FOR CERTAIN PORTABLE X-RAY SERVICES

SEC. 134. (a) Section 1861 (s) (3) of the Social Security Act is amended by striking out ‘‘diagnostic X-ray tests,’’ and inserting in lieu thereof the following: ‘‘diagnostic X-ray tests (including tests under the supervision of a physician, furnished in a place of residence used as the patient’s home, if the performance of such tests meets such conditions relating to health and safety as the Secretary may find necessary),’’.

(b) The amendment made by subsection (a) shall apply with respect to services furnished after December 31, 1967.
BLOOD DEDUCTIBLES

Sec. 135. (a) (1) Section 1813 (a) (2) of the Social Security Act (as redesignated by section 129 (c) (3) of this Act) is amended to read as follows:

"(2) 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 a deduction equal to the cost of the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to him as part of such services during such spell of illness."

(b) Section 1866 (a) (2) (C) of such Act (as amended by section 129 (c) (12) (B) of this Act) is amended—

(1) by striking out "may also charge" and inserting in lieu thereof "may in accordance with its customary practice also appropriately charge";

(2) by inserting after "whole blood" the following:

"(or equivalent quantities of packed red blood cells, as defined under regulations)"

(3) by inserting after "blood" where it appears in clauses (i), (ii), and (iii) the following: "(or equivalent quantities of packed red blood cells, as so defined)"; and

(4) by adding at the end thereof the following new
sentence: "For purposes of clause (iii) of the preceding sentence, whole blood (or equivalent quantities of packed red blood cells, as so defined) furnished an individual shall be deemed replaced when the provider of services is given one pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is imposed under section 1813 (a) (2)."

(c) Section 1833 (b) of such Act (as amended by sections 129 (c) (7) and 131 (b) of this Act) is amended by adding at the end thereof the following new sentence: "The total amount of the expenses incurred by an individual as determined under the preceding sentence shall, after the reduction specified in such sentence, be further reduced by an amount equal to the expenses incurred for the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to the individual during the calendar year, except that such deductible for such blood shall in accordance with regulations be appropriately reduced to the extent that there has been a replacement of such blood (or equivalent quantities of packed red blood cells, as so defined); and for such purposes blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual shall be
deemed replaced when the institution or other person furnishing such blood (or such equivalent quantities of packed red blood cells, as so defined) is given one pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is made under this sentence."

(d) The amendments made by this section shall apply with respect to payment for blood (or packed red blood cells) furnished an individual after December 31, 1967.

ENROLLMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM BASED ON ALLEGED DATE OF ATTAINING AGE 65

SEC. 136. (a) Section 1837 (d) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Where the Secretary finds that an individual who has attained age 65 failed to enroll under this part during his initial enrollment period (based on a determination by the Secretary of the month in which such individual attained age 65), because such individual (relying on documentary evidence) was mistaken as to his correct date of birth, the Secretary shall establish for such individual an initial enrollment period based on his attaining age 65 at the time shown in such documentary evidence (with a coverage
period determined under section 1838 as though he had attained such age at that time)."

(b) The amendment made by subsection (a) shall apply to individuals enrolling under part B of title XVIII in months beginning after the date of the enactment of this Act.

EXTENSION OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES TO 120 DAYS

SEC. 137. (a) (1) Section 1812 (a) (1) of the Social Security Act is amended by striking out "up to 90 days" and inserting in lieu thereof "up to 120 days".

(2) Section 1812 (b) (1) of such Act is amended by striking out "for 90 days" and inserting in lieu thereof "for 120 days".

(b) The second sentence of section 1813 (a) (1) of such Act is amended to read as follows: "Such amount shall be further reduced by a coinsurance amount equal to—

"(A) one-fourth of the 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; and

"(B) one-half of the inpatient hospital deductible for each day (before the 121st day) on which such individual is furnished such services during such spell of
illness after such services have been furnished to him for
90 days during such spell;
except that the reduction under this sentence for any day
shall not exceed the charges imposed for that day with re-
spect 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)."
(c) The amendments made by subsections (a) and
(b) shall apply with respect to services furnished after
December 31, 1967.
LIMITATION ON SPECIAL REDUCTION IN ALLOWABLE DAYS
OF INPATIENT HOSPITAL SERVICES
Sec. 138. (a) Section 1812 (c) of the Social Security
Act is amended by striking out “in the 90-day period im-
mediately before such first day shall be included in deter-
mining the 90-day limit under subsection (b) (1) (but not
in determining the 190-day limit under subsection (b)
(3))” and inserting in lieu thereof “in the 120-day period
immediately before such first day shall be included in
determining the 120-day limit under subsection (b) (1) in-
sofar as such limit applies to (1) inpatient psychiatric hos-
pital services and inpatient tuberculosis hospital services, or
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(2) inpatient hospital services for an individual who is an
inpatient primarily for the diagnosis or treatment of mental
illness or tuberculosis (but shall not be included in determin-
ing such 120-day limit insofar as it applies to other inpatient
hospital services or in determining the 190-day limit under
subsection (b) (3))”.

(b) The amendment made by subsection (a) shall ap-
ply with respect to payment for services furnished after
December 31, 1967.

TRANSITIONAL PROVISION ON ELIGIBILITY OF PRESENTLY
UNINSURED INDIVIDUALS FOR HOSPITAL INSURANCE

SEC. 139. Section 103 (a) (2) of the Social Security
Amendments of 1965 is amended by striking out “1965”
in clause (B) and inserting in lieu thereof “1966”.

ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED
UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT

SEC. 140. (a) The Secretary of Health, Education, and
Welfare shall appoint an Advisory Council to study the need
for coverage of the disabled under the health insurance pro-
gram of title XVIII of the Social Security Act.

(b) The Council shall be appointed by the Secretary
during 1968 without regard to the provisions of title 5,
United States Code, governing appointments in the competi-
tive service and shall consist of 12 persons who shall, to
the extent possible, represent organizations of employers and
employees in equal numbers, and represent self-employed
persons and the public.

(c) The Council 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 Wel-
fare as it may require to carry out such functions.

(d) Members of the Council, while serving on the busi-
ness of the Council (inclusive of travel time), shall receive
compensation at rates fixed by the Secretary, but not exceed-
ing $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 5703 of title 5, United States Code, for
persons in the Government employed intermittently.

(e) The Council shall make findings on the unmet need
of the disabled for health insurance, on the costs involved in
providing the disabled with insurance protection to cover the
cost of hospital and medical services, and on the ways of
financing this insurance. The Council shall submit a report
of its findings to the Secretary not later than January 1, 1969, together with recommendations on how such protec-
tion should be financed and, if such financing is to be accomplished through the trust funds established under title XVIII of the Social Security Act, on the extent to which each of such trust funds should bear the cost of such financing. Such report shall thereupon be transmitted to the Congress and to the Boards of Trustees created by sections 1817 (b) and 1841 (b) of the Social Security Act. After the date of transmittal to the Congress of the report, the Council shall cease to exist.

STUDY TO DETERMINE FEASIBILITY OF INCLUSION OF CERTAIN ADDITIONAL SERVICES UNDER PART B OF TITLE XVIII OF THE SOCIAL SECURITY ACT

SEC. 141. The Secretary shall make a study relating to the inclusion under the supplementary medical insurance program (part B of title XVIII of the Social Security Act) of services of additional types of licensed practitioners performing health services in independent practice. The Secretary shall make a report to the Congress prior to January 1, 1969, of his finding with respect to the need for covering, under the supplementary medical insurance program, any of the various types of services such practitioners perform and the costs to such program of covering such additional services, and shall make recommendations as to the priority and method for covering these services and the measures that should be adopted to protect the health and
PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

ELIGIBILITY OF ADOPTED CHILD FOR MONTHLY BENEFITS

SEC. 150. (a) The second sentence of section 216 (e) of the Social Security Act is amended by striking out “before the end of two years after the day on which such individual died or the date of enactment of this Act” and inserting in lieu thereof “only if (A) proceedings for the adoption of the child had been instituted by such individual before his death, or (B) such child was adopted by such individual’s surviving spouse before the end of two years after (i) the day on which such individual died or (ii) the date of enactment of the Social Security Amendments of 1958”.

(b) The amendment made by subsection (a) shall apply with respect to monthly benefits payable 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 an application filed in or after the month in which this Act is enacted.

CRITERIA FOR DETERMINING CHILD’S DEPENDENCY ON MOTHER

SEC. 151. (a) Section 202 (d) (3) of the Social Security Act is amended—
(1) by inserting "or his mother or adopting mother" after "his father or adopting father" in the first sentence; and
(2) by striking out "if such individual is the child's father," in the second sentence.

(b) Section 202 (d) (4) of such Act is amended by inserting "or stepmother" after "stepfather" each place it appears.

(c) Section 202 (d) of such Act is further amended by striking out paragraph (5), and by redesignating paragraphs (6) through (10) as paragraphs (5) through (9), respectively.

(d) (1) The paragraph of section 202 (d) of such Act redesignated as paragraph (9) by subsection (c) of this section is amended by striking out "under paragraph (9)" and inserting in lieu thereof "under paragraph (8)".
(2) Paragraphs (2) and (3) of section 202 (s) of such Act are each amended by striking out "(d) (6)," and inserting in lieu thereof "(d) (5),".

(3) Section (5) (l) (1) of the Railroad Retirement Act of 1937 is amended—

(A) by striking out "(3), (4), or (5)" in the third sentence and inserting in lieu thereof "(3) or (4)"; and
(B) by striking out "paragraph (8)" in the ninth sentence and inserting in lieu thereof "paragraph (7)".

(e) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act (and annuities accruing under the Railroad Retirement Act of 1937) 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.

UNDERPAYMENTS

SEC. 152. (a) Section 204 (d) of the Social Security Act is amended to read as follows:

"(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—"

"(1) to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(2) if there is no person who meets the requirements of paragraph (1), or if the person who meets such requirements dies before the payment due him
under this title is completed, to the child or children, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such child, in equal parts to each such child);

“(3) if there is no person who meets the requirements of paragraph (1) or (2), or if each person who meets such requirements dies before the payment due him under this title is completed, to the parent or parents, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

“(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each person who meets such requirements dies before the payment due him under this title is completed, to the legal representative of the estate of the deceased individual;

“(5) if there is no person who meets the requirements of paragraph (1) (2), (3), or (4), or if each person who meets such requirements dies before the pay-
ment due him under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual; or

“(6) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), or (5), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual (and, in case there is more than one such child, in equal parts to each such child).”

(b) The heading of section 1870 of such Act is amended by adding at the end thereof “AND SETTLEMENT OF CLAIMS FOR BENEFITS ON BEHALF OF DECEASED INDIVIDUALS”.

(c) Section 1870 of such Act is amended by adding after subsection (d) the following new subsections:

“(e) If an individual who received medical and other health services for which payment may be made under section 1832 (a) (1) dies, and payment for such services was made (other than under this title) and the individual died before any payment due with respect to such services was completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

“(1) if the payment for such services was made by a person other than the deceased individual, to the
person or persons determined by the Secretary under regulations to have paid for such services; or

"(2) if the payment for such services was made by the deceased individual before his death, or if there is no person to whom payment can be made under paragraph (1) (or each such person dies before such payment is completed)—

"(A) to the legal representative of the estate of such deceased individual, if any;

"(B) if there is no legal representative, 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;

"(C) if there is no person who meets the requirements of subparagraph (A) or (B), or if each person who meets such requirements dies before the payment due him under this title is completed, to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit under title II on the basis of the same wages and self-employment income as was the deceased individual; or

"(D) if there is no person who meets the requirements of subparagraph (A), (B) or (C), or
if each person who meets such requirements dies
before the payment due him under this title is com­
pleted, to the person or persons, if any, determined
by the Secretary to be the child or children of such
deceased individual (and in case there is more than
one such child, in equal parts to each such child).

"(f) If an individual who received medical and other
health services for which payment may be made under sec­
tion 1832 (a) (1) dies, and—

"(1) no assignment of the right to payments was
made by such individual before his death, and

"(2) payment for such services has not been made,
payment for such services shall be made to the physician or
other person who provided such services, but payment shall
be made under this subsection only in such amount and sub­
ject to such conditions as would have been applicable if the
individual who received the services had not died, and only
if the person or persons who provided the services agrees
that the reasonable charge is the full charge for the services."

(d) Section 1842 (b) (3) (B) of such Act (as amended
by section 128 (a) of this Act) is amended by striking out
"and such payment will be made" and inserting in lieu
thereof "and such payment will (except as otherwise pro­
vided in section 1870 (f) ) be made".
SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTERS OF COVERAGE IN CASE OF 1937–1950 WAGES

Sec. 153. (a) (1) Section 215 (d) (1) of the Social Security Act is amended to read as follows:

"Primary Insurance Benefit Under 1939 Act

(d) (1) For purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as follows:

(A) The individual's average monthly wage shall be determined as provided in subsection (b) (but without regard to paragraph (4) thereof) of this section, except that for purposes of paragraph (2) (C) and (3) of such subsection, 1936 shall be used instead of 1950.

(B) For purposes of subparagraphs (B) and (C) of subsection (b) (2), an individual whose total wages prior to 1951 (as defined in subparagraph (C) of this subsection) —

(i) do not exceed $27,000 shall be deemed to have been paid such wages in equal parts in nine calendar years after 1936 and prior to 1951;

(ii) exceed $27,000 and are less than $42,000 shall be deemed to have been paid (I) $3,000 in each of such number of calendar years after 1936 and prior to 1951 as is equal to the...
integer derived by dividing such total wages by $3,000, and (II) the excess of such total wages over the product of $3,000 times such integer, in an additional calendar year in such period; or

“(iii) are at least $42,000 shall be deemed to have been paid $3,000 in each of the fourteen calendar years after 1936 and prior to 1951.

“(C) For the purposes of subparagraph (B), ‘total wages prior to 1951’ with respect to an individual means the sum of (i) remuneration credited to such individual prior to 1951 on the records of the Secretary, (ii) wages deemed paid prior to 1951 to such individual under section 217, and (iii) compensation under the Railroad Retirement Act of 1937 prior to 1951 creditable to him pursuant to this title.

“(D) The individual’s primary insurance benefit shall be 45.6 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 11.4 per centum of the next $200 of such average monthly wage.”

(2) Section 215(d)(2) of such Act is amended to read as follows:

“(2) The provisions of this subsection shall be applicable only in the case of an individual—
"(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

"(B) except as provided in paragraph (3), who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951; and

"(C) (i) who becomes entitled to benefits under section 202 (a) or 223 after the date of the enactment of the Social Security Amendments of 1967, or

"(ii) who dies after such date without being entitled to benefits under section 202 (a) or 223, or

"(iii) whose primary insurance amount is required to be recomputed under section 215 (f) (2)."

(3) Section 215(d) (3) of such Act is amended to read as follows:

"(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1967 shall be applicable in the case of an individual—

"(A) who attained age 21 after 1936 and prior to 1951, or

"(B) who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this
section (as amended by the Social Security Amendments of 1967) and section 220.”.

(4) So much of section 215(f)(2) of such Act as precedes subparagraph (E) is amended to read as follows:

“(2) If an individual has wages or self-employment income for a year after 1965 for any part of which he 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 such individual’s primary insurance amount with respect to each such year. Such recomputation shall be made as provided in subsection (a) (1) and (3) as though the year with respect to which such recomputation is made is the last year of the period specified in subsection (b) (2)”

(5) Subparagraphs (E) and (F) of such section 215(f)(2) are redesignated as subparagraphs (A) and (B), respectively.

(6) Section 215(f) of such Act is further amended by adding at the end thereof the following new paragraph:

“(5) In the case of a man who became entitled to old-age insurance benefits and died before the month in which he attained age 65, the Secretary shall recompute his primary insurance amount as provided in subsection (a) as though he became entitled to old-age insurance benefits
in the month in which he died; except that (i) his computa-
tion base years referred to in subsection (b) (2) shall in-
clude the year in which he died, and (ii) his elapsed years
referred to in subsection (b) (3) shall not include the year
in which he died or any year thereafter. Such recomputation
of such primary insurance amount shall be effective for and
after the month in which he died."

(7) (A) The amendments made by paragraphs (4)
and (5) shall apply with respect to recomputations made
under section 215 (f) (2) of the Social Security Act after the
date of the enactment of this Act.

(B) The amendment made by paragraph (6) shall
apply with respect to individuals who die after the date of
enactment of this Act.

(8) In any case in which—

(A) any person became entitled to a monthly
benefit under section 202 or 223 of the Social Security
Act after the date of enactment of this Act and before
the second month following the month in which this
Act is enacted, and

(B) the primary insurance amount on which the
amount of such benefit is based was determined by ap-
plying section 215 (d) of the Social Security Act as
amended by this Act,
such primary insurance amount shall, for purposes of section
(c) of the Social Security Act, as amended by this Act, be deemed to have been computed on the basis of the Social Security Act in effect prior to the enactment of this Act.

(9) The amendment made by paragraphs (1) and (2) shall not apply with respect to monthly benefits for any month prior to January 1967.

(b) (1) Section 213 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Alternative Method for Determining Quarters of Coverage With Respect to Wages in the Period from 1937 to 1950"

"(c) For purposes of section 214(a), an individual shall be deemed to have one quarter of coverage for each $400 of his total wages prior to 1951 (as defined in section 215(d)(1)(C)), except where—

"(1) such individual is not a fully insured individual on the basis of the number of quarters of coverage so derived plus the number of quarters of coverage derived from the wages and self-employment income credited to him for periods after 1950, or

"(2) such individual’s elapsed years (for purposes of section 214(a)(1)) are less than 7.”

(2) The amendment made by paragraph (1) shall

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apply only in the case of an individual who applies for benefits under section 202(a) of the Social Security Act after the date of the enactment of this Act, or who dies after such date without being entitled to benefits under section 202(a) or 223 of the Social Security Act.

(c) Section 303(g)(1) of the Social Security Amendments of 1960 is amended—

(1) by striking out “section 302 of” and by striking out “Amendments of 1965” and inserting in lieu thereof “Amendments of 1965 and 1967” in the first sentence; and

(2) by striking out “after 1965, or dies after 1965” and inserting in lieu thereof “after the date of the enactment of the Social Security Amendments of 1967, or dies after such date”, and by striking out “Amendments of 1965” and inserting in lieu thereof “Amendments of 1967”, in the second sentence.

DEFINITIONS OF WIDOW, WIDOWER, AND STEPCHILD

SEC. 154. (a) Section 216(c) of the Social Security Act is amended by striking out “not less than one year” in clause (5) and inserting in lieu thereof “not less than nine months”.

(b) The first sentence of section 216(e) of such Act is amended by striking out “the day on which such indi-
individual died” and inserting in lieu thereof “not less than
nine months immediately preceding the day on which such
individual died”.

(c) Section 216 (g) of such Act is amended by striking
out “not less than one year” in clause (5) and inserting
in lieu thereof “not less than nine months”.

(d) Section 216 of such Act is further amended by add­
ing at the end thereof the following new subsection:

“Waiver of Nine-Month Requirement for Widow, Stepchild,
or Widower in Case of Accidental Death or in Case
of Serviceman Dying in Line of Duty

(k) The requirement in clause (5) of subsection (c)
or clause (5) of subsection (g) that the surviving spouse of
an individual have been married to such individual for a
period of not less than nine months immediately prior to the
day on which such individual died in order to qualify as such
individual’s widow or widower, and the requirement in sub­
section (e) that the stepchild of a deceased indi­
vidual have been such stepchild for not less than nine months
immediately preceding the day on which such individual died
in order to qualify as such individual’s child, shall be deemed
to be satisfied, where such individual dies within the applica­
able nine-month period, if his death—

“(1) is accidental, or
“(2) occurs in line of duty while he is a member of a uniformed service serving on active duty (as defined in section 210 (1) (2)), and he would satisfy such requirement if a three-month period were substituted for the nine-month period; except that this subsection shall not apply if the Secretary determines that at the time of the marriage involved the individual could not have reasonably been expected to live for nine months. For purposes of paragraph (1) of the preceding sentence, the death of an individual is accidental if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, loses his life not later than three months after the day on which he receives such bodily injuries.”

(e) The amendments made by this section shall apply with respect to 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, but only on the basis of applications filed in or after the month in which this Act is enacted.
HUSBAND'S AND WIDOWER'S INSURANCE BENEFITS WITHOUT
REQUIREMENT OF WIFE'S CURRENTLY INSURED
STATUS

Sec. 155. (a) (1) Section 202 (c) (1) of the Social
Security Act is amended by striking out "a currently insured
individual (as defined in section 214 (b) )" in the matter
preceding subparagraph (A) and inserting in lieu thereof
"an individual".

(2) Section 202 (c) (2) of such Act is amended by
striking out "The requirement in paragraph (1) that the
individual entitled to old-age or disability insurance benefits
be a currently insured individual, and the provisions of sub-
paragraph (C) of such paragraph," and inserting in lieu
thereof "The provisions of subparagraph (C) of paragraph
(1)".

(b) (1) Section 202 (f) (1) of such Act is amended—
(A) by striking out "and currently" in the matter
preceding subparagraph (A), and
(B) by striking out "and she was a currently
insured individual," in subparagraph (D) (ii).

(2) Section 202 (f) (2) of such Act is amended by
striking out "The requirement in paragraph (1) that the
deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph," and inserting in lieu thereof "The provisions of subparagraph (D) of paragraph (1)".

(c) 'In the case of any husband who would not be entitled to husband's insurance benefits under section 202(c) of the Social Security Act or any widower who would not be entitled to widower's insurance benefits under section 202(f) of such Act except for the enactment of this section, the requirement in section 202(c)(1)(C) or 202(f)(1)(D) of such Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed within two years after the month following the month in which this Act is enacted.

(d) The amendments made by this section shall apply with respect to monthly benefits payable 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.

DEFINITION OF DISABILITY

Sec. 156. (a) Section 223(c) of the Social Security Act is amended—

(1) by inserting "of Insured Status and Waiting Period" after "Definitions" in the heading;
(2) by striking out paragraph (2); and
(3) by redesignating paragraph (3) as paragraph (2).

(b) Section 223 of such Act is further amended by adding at the end thereof the following new subsection:

"Definition of Disability

"(d) (1) 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

"(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.

"(2) For purposes of paragraph (1) (A)—

"(A) an individual (except a widow, surviving divorced wife, or widower for purposes of section 202 (e) or (f)) shall be determined to be under a disability
only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

"(B) A widow, surviving divorced wife, or widower shall not be determined to be under a disability (for purposes of section 202 (e) or (f) ) unless his or her physical or mental impairment or impairments are of a level of severity which under regulations prescribed by the Secretary is deemed to be sufficient to preclude an individual from engaging in any gainful activity.

"(3) For purposes of this subsection, a 'physical or mental impairment' is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

"(4) The Secretary shall by regulations prescribe the criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to
engage in substantial gainful activity. Notwithstanding the provisions of paragraph (2), an individual whose services or earnings meet such criteria shall, except for purposes of section 222 (c), be found not to be disabled.

"(5) An individual shall not be considered to be under a disability unless he furnishes such medical and other evidence of the existence thereof as the Secretary may require."

(c) (1) Section 202 (d) (1) (B) of such Act is amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(2) Paragraphs (1), (2), and (3) of section 202 (s) of such Act are each amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(3) Section 221 (a) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(4) Section 221 (c) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(5) Section 222 (c) (4) (B) of such Act is amended by striking out "section 223 (c) (2)" and inserting in lieu thereof "section 223 (d)".

(6) Section 223 (a) (1) (D) of such Act is amended by striking out "subsection (c) (2)" and inserting in lieu thereof "subsection (d)".

(7) The first sentence of section 223 (a) (1) of such
Act is further amended by striking out “subsection (c) (3)” and inserting in lieu thereof “subsection (e) (2)”.

(8) The last sentence of section 223 (a) (1) is amended by striking out “subsection (c) (2) except for subparagraph (B) thereof” and inserting in lieu thereof “subsection (d) except for paragraph (1) (B) thereof”.

(9) Section 225 of such Act is amended by striking out “section 223 (c) (2)” and inserting in lieu thereof “section 223 (d)”.

(d) Section 216 (i) (1) of such Act is amended by striking out the third sentence and inserting in lieu thereof the following: “The provisions of paragraphs (2) (A), (3), (4), and (5) of section 223 (d) shall be applied for purposes of determining whether an individual is under a disability within the meaning of the first sentence of this paragraph in the same manner as they are applied for purposes of paragraph (1) of such section.”

(e) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, and for disability determinations under section 216 (i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or
(2) before the month in which this Act is enacted
if the applicant has not died before such month and if—

(A) notice of the final decision of the Secretary
of Health, Education, and Welfare has not been
given to the applicant before such month; or

(B) the notice referred to in subparagraph
(A) has been so given before such month but a civil
action with respect to such final decision is com­
menced 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.

DISABILITY BENEFITS AFFECTED BY RECEIPT OF WORK­
MEN'S COMPENSATION

Sec. 157. (a) (1) The last sentence of section 224 (a)
of the Social Security Act is amended by inserting after "his
wages and self-employment income" where it first appears
in clause (B) the following: "(computed without regard
to the limitations specified in sections 209 (a) and 211 (b)
(1))".

(2) Section 224 (a) of such Act is further amended by
adding at the end thereof the following: "In any case where
an individual's wages and self-employment income reported
to the Secretary for a calendar year reach the limitations
specified in sections 209 (a) and 211 (b) (1), the Secretary under regulations shall estimate the total of such wages and self-employment income for purposes of clause (B) of the preceding sentence on the basis of such information as may be available to him indicating the extent (if any) by which such wages and self-employment income exceed such limitations."

(b) (1) The amendments made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months after the month in which this Act is enacted.

(2) For purposes of any redetermination which is made under section 224 (f) of the Social Security Act in the case of benefits subject to reduction under section 224 of such Act, where such reduction as first computed was effective with respect to benefits for the month in which this Act is enacted or a prior month, the amendments made by subsection (a) of this section shall also be deemed to have applied in the initial determination of the "average current earnings" of the individual whose wages and self-employment income are involved.

EXTENSION OF TIME FOR FILING REPORTS OF EARNINGS

Sec. 158. (a) Section 203 (h) (1) (A) of the Social Security Act is amended by adding at the end thereof the following new sentence: "The Secretary may grant a reason-
able extension of time for making the report of earnings re-
quired in this paragraph if he finds that there is valid reason
for a delay, but in no case may the period be extended more
than three months.”

(b) Section 203 (h) (2) of such Act is amended by
striking out “within the time prescribed therein” and in-
serting in lieu thereof “within the time prescribed by or in
accordance with such paragraph”.

PENALTIES FOR FAILURE TO FILE TIMELY REPORTS

OF EARNINGS AND OTHER EVENTS

SEC. 159. (a) Section 203 (h) (2) (A) of the Social
Security Act is amended by inserting before the semicolon
at the end thereof the following: “, except that if the de-
duction imposed under subsection (b) by reason of his earn-
ings for such year is less than the amount of his benefit (or
benefits) for the last month of such year for which he was
entitled to a benefit under section 202, the additional deduc-
tion shall be equal to the amount of the deduction imposed
under subsection (b) but not less than $10”.

(b) Section 203 (g) of such Act is amended by striking
out all that follows “shall suffer” and inserting in lieu
thereof the following: “deductions in addition to those
imposed under subsection (c) as follows:

“(1) if such failure is the first one with respect to
which an additional deduction is imposed by this sub-
section, such additional deduction shall be equal to his
benefit or benefits for the first month of the period for
which there is a failure to report even though such
failure is with respect to more than one month;
“(2) if such failure is the second one with respect
to which an additional deduction is imposed by this
subsection, such additional deduction shall be equal to
two times his benefit or benefits for the first month of
the period for which there is a failure to report even
though such failure is with respect to more than two
months; and
“(3) if such failure is the third or a subsequent one
for which an additional deduction is imposed under this
subsection, such additional deduction shall be equal to
three times his benefit or benefits for the first month
of the period for which there is a failure to report even
though the failure to report is with respect to more than
three months;
except that the number of additional deductions re-
quired by this subsection shall not exceed the number of
months in the period for which there is a failure to report.
As used in this subsection, the term ‘period for which there
is a failure to report’ with respect to any individual means
the period for which such individual received and
accepted insurance benefits under section 202 without mak-
ing a timely report and for which deductions are required under subsection (c)."

(c) The amendments made by this section shall apply with respect to any deductions imposed on or after the date of the enactment of this Act under subsections (g) and (h) of section 203 of the Social Security Act on account of failure to make a report required thereby.

LIMITATION ON PAYMENT OF BENEFITS TO ALIENS OUTSIDE THE UNITED STATES

Sec. 160. (a) (1) Section 202 (t) (1) of the Social Security Act is amended by adding at the end thereof (after and below subparagraph (B) ) the following new sentence: "For purposes of the preceding sentence, after an individual has been outside the United States for any period of thirty consecutive days he shall be treated as remaining outside the United States until he has been in the United States for a period of thirty consecutive days."

(2) The amendment made by paragraph (1) shall apply only with respect to six-month periods (within the meaning of section 202 (t) (1) (A) of the Social Security Act) which begin after the date of the enactment of this Act.

(b) (1) Section 202 (t) (4) of such Act is amended—

(A) by striking out the period at the end of sub-

paragraph (E) and inserting in lieu thereof a semi-

colon; and
(B) by adding at the end thereof (after and below subparagraph (E)) the following:

“except that subparagraphs (A) and (B) of this paragraph shall not apply in the case of any individual who is a citizen of a foreign country that has in effect a social insurance or pension system which is of general application in such country and which satisfies subparagraph (A) but not subparagraph (B) of paragraph (2), or who is a citizen of a foreign country that has no social insurance or pension system of general application if at any time within five years prior to the month in which the Social Security Amendments of 1967 are enacted (or the first month thereafter for which his benefits are subject to suspension under paragraph (1)) payments to individuals residing in such country were withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123).”

(2) The amendment made by paragraph (1) shall apply only with respect to monthly benefits under title II of the Social Security Act for and after the sixth month following the month in which this Act is enacted.

(c) (1) Section 202 (t) of such Act is further amended by adding at the end thereof the following new paragraph:

“(10) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223, for any month beginning on or after the
date on which this paragraph is enacted, to an individual who is not a citizen or national of the United States and who resides during such month in a foreign country if payments for such month to individuals residing in such country are withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123).”

(2) Section 202(t)(6) of such Act is amended by striking out “by reason of paragraph (1)” and inserting in lieu thereof “by reason of paragraph (1) or (10)”.

(3) Whenever benefits which an individual who is not a citizen or national of the United States was entitled to receive under title II of the Social Security Act for months beginning prior to the date of the enactment of this Act have been withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123), any such benefits, payable to such individual for months after the month in which the determination by the Treasury Department that the benefits should be so withheld was made, shall not be paid—

(A) to any person other than such individual, or,

if such individual dies before such benefits can be paid, to any person other than an individual who was entitled for the month in which the deceased individual died (with the application of section 202(j)(1) of the
Social Security Act) to a monthly benefit under title II of such Act on the basis of the same wages and self-employment income as such deceased individual, or

(B) in excess of the equivalent of the last twelve months' benefits that would have been payable to such individual.

RESIDUAL PAYMENTS TO CERTAIN CHILDREN

SEC. 161. (a) The last sentence of section 203 (a) of the Social Security Act is amended to read as follows:

"Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased; except that if such total of benefits for such month includes any benefit or benefits under section 202 (d) which are payable solely by reason of section 216 (h) (3), the reduction shall be first applied to reduce (proportionately where there is more than one benefit so payable) the benefits so payable (but not below zero)."

(b) The amendment made by subsection (a) of this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month after the month in which this Act is enacted.
TRANSFER TO HEALTH INSURANCE BENEFITS ADVISORY COUNCIL OF NATIONAL MEDICAL REVIEW COMMITTEE FUNCTIONS; INCREASE IN COUNCIL'S MEMBERSHIP

Sec. 162. (a) Section 1867 of the Social Security Act is amended to read as follows:

"HEALTH INSURANCE BENEFITS ADVISORY COUNCIL

"Sec. 1867. (a) There is hereby created a Health Insurance Benefits Advisory Council which shall consist of 19 persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. 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, persons who are representative of organizations and associations of professional personnel in the field of medicine, 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. A member shall not be eligible to serve continuously for more than 2 terms. The Secretary may, at the request of the Ad-
visory 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 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of 5 or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council.

"(b) It shall be the function of the Advisory Council (1) to advise the Secretary on matters of general policy in the administration of this title and in the formulation of regulations under this title, and (2) 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 ad-
ministration of the programs established by this title, or in
the provisions of this title. The Advisory Council shall make
an annual report to the Secretary on the performance of
its functions, including any recommendations it may have
with respect thereto, and such report shall be transmitted
promptly by the Secretary to the Congress.

"(c) The Advisory Council is authorized to engage such
technical assistance as may be required to carry out its func­
tions, and the Secretary shall, in addition, make available to
the Advisory Council such secretarial, clerical, and other
assistance and such pertinent data obtained and prepared
by the Department of Health, Education, and Welfare as
the Advisory Council may require to carry out its functions."

(b) The amendment made by subsection (a) shall not
be construed as affecting the terms of office of the members
of the Health Insurance Benefits Advisory Council in office
on the date of the enactment of this Act or their successors.
The terms of office of the three additional members of the
Health Insurance Benefits Advisory Council first appointed
pursuant to the increase in the membership of such Council
provided by such amendment shall expire, as designated by
the Secretary at the time of appointment, one at the end of
the first year, one at the end of the second year, and one at
the end of the third year after the date of appointment.

(c) Section 1868 of the Social Security Act is repealed.
Sec. 163. (a) (1) Section 706 (a) of the Social Security Act is amended by striking out “During 1968 and every fifth year thereafter” and inserting in lieu thereof “During February 1969 and during February of every fourth year thereafter”.

(2) The first sentence of section 706 (d) of such Act is amended by striking out “second”.

(b) Section 706 (b) of such Act is amended by striking out “shall consist of the Commissioner of Social Security, as Chairman, and 12 other persons, appointed by the Secretary” and inserting in lieu thereof “shall consist of a Chairman and 12 other persons, appointed by the Secretary”.

Sec. 164. Section 1840 (e) (1) of the Social Security Act is amended by adding at the end thereof the following new sentence: “A plan described in section 8903 of title 5, United States Code, may reimburse each annuitant enrolled in such plan an amount equal to the premiums paid by him under this part if such reimbursement is paid entirely from funds of such plan which are derived from sources other than the contributions described in section 8906 of such title.”
APPROPRIATIONS TO SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

Sec. 165. (a) Section 1844 (a) of the Social Security Act is amended to read as follows:

"(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—

"(1) a Government contribution equal to the aggregate premiums payable under this part and deposited in the Trust Fund, and

"(2) such sums as the Secretary deems necessary to place the Trust Fund, at the end of any fiscal year occurring after June 30, 1967, in the same position in which it would have been at the end of such fiscal year if (A) a Government contribution representing the excess of the premiums deposited in the Trust Fund during the fiscal year ending June 30, 1967, over the Government contribution actually appropriated to the Trust Fund during such fiscal year had been appropriated to it on June 30, 1967, and (B) the Government contribution for premiums deposited in the Trust Fund after June 30, 1967, had been appropriated to it when such premiums were deposited."
(b) Section 1844 (b) of such Act is amended by striking out "1967" and inserting in lieu thereof "1969".

DISCLOSURE TO COURTS OF WHEREABOUTS OF CERTAIN INDIVIDUALS

SEC. 166. (a) Section 1106 (c) (1) of the Social Security Act is amended by inserting "(A)" after "(c) (1)", by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively, and by adding at the end thereof the following new subparagraph:

"(B) If a request for the most recent address of any individual so included is filed (in accordance with paragraph (2) of this subsection) by a court having jurisdiction to issue orders against individuals for the support and maintenance of their children, the Secretary shall furnish such address, or the address of the individual's most recent employer, or both, for the court's own use in issuing or determining whether to issue such an order against such individual (and for no other purpose), if the court certifies that the information is requested for such use."

(b) (1) Section 1106 (c) (2) of such Act is amended by striking out ", and shall be accompanied" and all that follows and inserting in lieu thereof "(and, in the case of a request under paragraph (1) (A), shall be accompanied by
a certified copy of the order referred to in clauses \(i\) and \(iv\) thereof.”

(2) Section 1106\((c)\)\((3)\) of such Act is amended by striking out “authorized by subparagraph \(D\) thereof” and inserting in lieu thereof “authorized by subparagraph \(A\)\((iv)\) or \(B\) thereof”.

REPORTS OF BOARDS OF TRUSTEES TO CONGRESS

Sec. 167. (a) Sections 201\((c)\)(2), 1817\((b)\)(2), and 1841\((b)\)(2) of the Social Security Act are each amended by striking out “March” and inserting in lieu thereof “April”.

(b) Section 201\((c)\) of such Act is amended by inserting immediately before the last sentence the following new sentence: “Such report shall also include an actuarial analysis of the benefit disbursements made from the Federal Old-Age and Survivors Insurance Trust Fund with respect to disabled beneficiaries.”

GENERAL SAVINGS PROVISION

Sec. 168. (a) Where—

(1) one or more persons were entitled (without the application of section 202\((j)\)(1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for the effective month on the basis of
the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) become entitled to monthly benefits under such section 202 for the first month after the effective month on the basis of such wages and self-employment by reason of the amendments made to such Act by sections 104, 150, 151, 154, and 155 of this Act, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment for such first month are reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced), then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after the effective month shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

(b) For purposes of subsection (a), the term "effective month" means the month after the month in which this Act is enacted.
TITLE II—PUBLIC WELFARE AMENDMENTS

PART 1—PUBLIC ASSISTANCE AMENDMENTS

PROGRAMS OF SERVICES FURNISHED TO FAMILIES WITH DEPENDENT CHILDREN

Sec. 201. (a) (1) Section 402 (a) of the Social Security Act (as amended by section 202 (a) of this Act) is amended by striking out "and" at the end of clause (13); by striking out "and provide for coordination of such programs" and all that follows in clause (14); by striking out the period at the end of clause (14) and inserting in lieu thereof a semicolon; and by adding after clause (14) the following new clauses: "(15) provide—

"(A) for the development of a program for each appropriate relative and dependent child receiving aid under the plan, and each appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), with the objective of—

"(i) assuring, to the maximum extent possible, that such relative, child, and individual will enter the labor force and accept employment so that they will become self-sufficient, and

"(ii) preventing or reducing the incidence of
illegitimate births, and otherwise strengthening family life,

"(B) for the implementation of such programs by assuring that—

"(i) the employment potential of such relatives, children, and individuals is evaluated and they are furnished such services as child-care services and testing, counseling, basic education, vocational training, and special job development to assist them in securing and retaining employment or in raising the level of their skills to secure advancement in their employment, and

"(ii) in all appropriate cases family planning services are offered to them, and in appropriate cases by providing aid to families with dependent children in the form of payments of the types described in section 406 (b) (2),

"(C) for such review of each such program as may be necessary (as frequently as may be necessary, but at least once a year) to insure that it is being effectively implemented,

"(D) for furnishing the Secretary with such reports as he may specify showing the results of such programs, and

"(E) to the extent that such programs are de-
developed and implemented by services furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;

(16) provide that where the State agency has reason to believe that the home in which a relative and child receiving aid reside is unsuitable for the child because of the neglect, abuse, or exploitation of such child it shall bring such condition to the attention of the appropriate court or law enforcement agencies in the State, providing such data with respect to the situation it may have; (17) provide—

"(A) for the development and implementation of a program under which the State agency will undertake—

"(i) in the case of an illegitimate child receiving aid to families with dependent children, to establish the paternity of such child and secure support for him, and

"(ii) in the case of any child receiving such aid who has been deserted or abandoned by his parent, to secure support for such child from such parent (or from any other person legally liable for such support), utilizing any reciprocal arrangements
adopted with other States to obtain or enforce court orders for support, and

"(B) for the establishment of a single organizational unit in the State agency or local agency administering the State plan in each political subdivision which will be responsible for the administration of the program referred to in clause (A);

(18) provide for entering into cooperative arrangements with appropriate courts and law enforcement officials (A) to assist the State agency in administering the program referred to in clause (17) (A), including the entering into of financial arrangements with such courts and officials in order to assure optimum results under such program, and (B) with respect to any other matters of common concern to such courts or officials and the State agency or local agency administering the State plan."

(2) Section 402 (a) (13) of such Act (as redesignated by section 202 (a) of this Act) is amended by striking out "(if any)".

(b) Section 402 of such Act is amended by adding at the end thereof the following new subsection:

"(c) The Secretary shall, on the basis of his review of the reports received from the States under clause (15) of subsection (a), compile such data as he believes necessary
and from time to time publish his findings as to the effectiveness of the programs developed and administered by the States under such clause. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the programs developed and administered by each State under such clause (15)."

(c) Section 403(a)(3) of such Act is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) 75 per centum of so much of such expenditures as are for—

(i) services which are furnished pursuant to clause (15) of section 402(a) and which are provided to any relative or child who is receiving aid under the plan or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section, or

(ii) any of the services specified in or under subsection (c) and provided to any relative or dependent child who is applying for or receiving aid under the plan, or any other individual (living in the same home as such rel-
ative and child) whose needs are taken into account in making the determination under clause (7) of section 402 (a), or

"(iii) any of the services specified in clause (15) of section 402 (a), or specified in or under subsection (c), which are provided to any child who is applying for aid under the plan or who, within such period or periods as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of such aid, or to any relative with whom any such child is living, or to any other individual (living in the same home as such relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402 (a), or

"(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus”.

(d) Section 403 (a) (3) of such Act is further amended—

(1) by striking out “subparagraphs (A) and (B)” in the sentence following subparagraph (C) and inserting in lieu thereof “subparagraph (A)”;

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(2) by inserting before the period at the end of the sentence following subparagraph (C) the following:

"; and except that, to the extent specified by the Secretary, child-welfare services, family planning services, and family services may be provided from sources other than those referred to in subparagraphs (D) and (E)"; and

(3) by striking out "subparagraphs (B) and (C) apply" in the last sentence and inserting in lieu thereof "subparagraph (C) applies".

(e) (1) Section 403 (c) of such Act is amended to read as follows:

"(c) For purposes of paragraphs (3) (A) (ii) and (3) (A) (iii) of subsection (a), the services referred to in such paragraphs as specified in or under this subsection include—

"(1) child-welfare services as defined in section 425,

"(2) family services as defined in section 406 (d), and

"(3) other services to maintain and strengthen family life for children, and to help relatives with whom children are living and other individuals (living in the same home as a relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402 (a) to attain or retain
capability for self-support or self-care, which are specified by the Secretary.

but only with respect to a State whose State plan approved under section 402 provides that when such services are furnished by the staff of the State agency or local agency administering such plan, the organizational unit referred to in section 402 (a) (15) (E) will be responsible for furnishing such services.”

(2) Section 403 (a) (3) of such Act is amended by striking out “whose State plan approved under section 402 meets the requirements of subsection (c) (1)”, and by striking out “; and” at the end and inserting in lieu thereof a period.

(3) Section 403 (a) (4) of such Act is repealed.

(4) Section 408 (d) of such Act is amended by striking out “and (4)”.

(f) Section 406 of such Act is amended by adding at the end thereof the following new subsection:

“(d) The term ‘family services’ means services to a family or any member thereof for the purpose of preserving, rehabilitat­ing, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence.”

(g) (1) The amendments made by subsection (a) of
this section shall be effective October 1, 1967; except that a State shall not be deemed to have failed to comply with such amendments prior to July 1, 1969, because its plan approved under section 402 of the Social Security Act has not been modified to comply with such amendments.

(2) The amendments made by subsections (c), (d), and (e) of this section shall apply in the case of any State with respect to services and training furnished on or after the date as of which the modification of the State plan to comply with the amendments made by subsection (a) is approved.

(h) Notwithstanding subparagraph (A) of section 403(a)(3) of the Social Security Act (as amended by subsection (c) of this section), the rate specified in such subparagraph in the case of any State shall be 85 per centum (rather than 75 per centum) with respect to expenditures, for services furnished pursuant to clause (15) of section 402(a) of such Act, made on or after October 1, 1967, and prior to July 1, 1969.

EARNINGS EXEMPTION FOR RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 202. (a) Clauses (8) through (13) of section 402(a) of the Social Security Act are redesignated as clauses (9) through (14), respectively.

(b) Effective July 1, 1969, section 402(a) of such Act
is amended by striking out clause (7) and inserting in lieu thereof the following: "(7) except as may be otherwise provided in clause (8), provide that the State agency shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid, as well as any expenses reasonably attributable to the earning of any such income; (8) provide that, in making the determination under clause (7), the State agency—

"(A) shall with respect to any month disregard—

"(i) all of the earned income of each dependent child receiving aid to families with dependent children for any month in which such child (I) is under age 16, or (II) if age 16 or over but under age 21, is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment, and

"(ii) in the case of earned income of a dependent child not included under clause (i), a relative
receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $30 of the total of such earned income for such month plus one-third of the remainder of such income for such month; and “(B) (i) may, subject to the limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child, and (ii) may, before disregarding the amounts referred to in subparagraph (A) and clause (i) of this subparagraph, disregard not more than $5 per month of any income; except that, with respect to any month, the State agency shall not disregard any earned income (other than income referred to in subparagraph (B) ) of— “(C) any one of the persons specified in clause (ii) of subparagraph (A) if such person— “(i) terminated his employment or reduced his earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary; or “(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which
he is able to engage which is offered through the
public employment offices of the State, or is other­
wise offered by an employer if the offer of such em­
ployer is determined by the State or local agency
administering the State plan, after notification by
him, to be a bona fide offer of employment; or

“(D) any of such persons specified in clause (ii)
of subparagraph (A) if with respect to such month the
income of the persons so specified (within the meaning
of clause (7)) was in excess of their need as deter­
mined by the State agency pursuant to clause (7)
(without regard to clause (8)), unless, for any one of
the four months preceding such month, the needs of such
persons were met by the furnishing of aid under the
plan;”.

(c) A State whose plan under section 402 of the
Social Security Act has been approved by the Secretary shall
not be deemed to have failed to comply substantially with the
requirements of section 402 (a) (7) of such Act (as in effect
prior to July 1, 1969) for any period beginning after Sep­
tember 30, 1967, and ending prior to July 1, 1969, if for
such period the State agency disregards earned income of the
individuals involved in accordance with the requirements
specified in section 402 (a) (7) and (8) of such Act as
amended by this section.
(d) In determining the need of individuals claiming aid to families with dependent children (and individuals whose needs are taken into account in making such determination) under a State plan approved under section 402 of the Social Security Act which provides for the determination of such need under the provisions of section 402 (a) (7) and (8) of such Act as amended by this section, the State shall apply such provisions notwithstanding any provision of law (other than such Act) requiring the State to disregard earned income of such individuals in determining need under such State plan.

DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

SEC. 203. (a) Section 407 of the Social Security Act is amended to read as follows:

"DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

"SEC. 407. (a) The term 'dependent child' shall, notwithstanding section 406 (a), include a needy child who meets the requirements of section 406 (a) (2), who has been deprived of parental support or care by reason of the unemployment (as determined in accordance with standards prescribed by the Secretary) of his father, and who is living with any of the relatives specified in section 406 (a) (1) in a place of residence maintained by one or more of such relatives as his (or their) own home.

"(b) The provisions of subsection (a) shall be applicable to a State if the State’s plan approved under section 402—
"(1) requires the payment of aid to families with dependent children with respect to a dependent child as defined in subsection (a) when—

"(A) such child's father has not been employed (as determined in accordance with standards prescribed by the Secretary) for at least 30 days prior to the receipt of such aid,

"(B) such father has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and

"(C) (i) such father has 6 or more quarters of work (as defined in subsection (d) (1)) in any 13-calendar-quarter period ending within one year prior to the application for such aid or (ii) he received unemployment compensation under an unemployment compensation law of a State or of the United States, or he was qualified (within the meaning of subsection (d) (3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

"(2) provides—

"(A) (i) for the establishment of a work and
training program in accordance with section 409, and (ii) for such assurances as will satisfy the Secretary that fathers of dependent children as defined in subsection (a) are assigned as participants to projects under such program within 30 days after receipt of aid with respect to such children;

"(B) that the services of the public employment offices in the State shall be utilized in order to assist fathers of dependent children as defined in subsection (a) to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such fathers and for maximum utilization of the job placement services and other services and facilities of such offices;

"(C) for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order to encourage the retraining of individuals capable of being retrained; and

"(D) for the denial of aid to families with dependent children to any child or relative specified
in subsection (a) if, and for as long as, such child’s father—

"(i) is not currently registered with the public employment offices in the State,

"(ii) refuses without good cause to undertake, or continue to undertake, work or training in the program referred to in subparagraph (A),

"(iii) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment,

"(iv) refuses without good cause to undergo the retraining referred to in subparagraph (C), or

"(v) receives unemployment compensation under an unemployment compensation law of a State or of the United States.

"(c) Notwithstanding any other provision of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children—
“(1) where such expenditures are made with respect to any dependent child as defined in subsection (a)—

“(A) for any part of the 30-day period referred to in subparagraph (A) of subsection (b) (1), or

“(B) for any period prior to the time when the father satisfies subparagraphs (B) and (C) of subsection (b) (1), and

“(2) if, and for as long as, no action is taken under the program specified in subparagraph (A) of subsection (b) (2) (after the 30-day period referred to therein) to assign such child’s father to a project under such program, unless the State agency or local agency administering the plan determines, in accordance with standards prescribed by the Secretary, that any such assignment would be detrimental to the health of such father or that no such project is available.

“(d) For purposes of this section—

“(1) the term ‘quarter of work’ with respect to any individual means a calendar quarter in which such individual received earned income of not less than $50 (or which is a ‘quarter of coverage’ as defined in section 213 (a) (2)), or in which such individual participated in a community work and training program under section
409 or any other work and training program subject to
the limitations in section 409;

“(2) the term ‘calendar quarter’ means a period of
3 consecutive calendar months ending on March 31,
June 30, September 30, or December 31; and

“(3) an individual shall be deemed qualified for un-
employment compensation under the State’s unemploy-
ment compensation law if—

“(A) he would have been eligible to receive
such unemployment compensation upon filing appli-
cation, or

“(B) he performed work not covered under
such law and such work, if it had been covered,
would (together with any covered work he per-
formed) have made him eligible to receive such
unemployment compensation upon filing applica-
tion.”

(b) In the case of an application for aid to families with
dependent children under a State plan approved under sec-
tion 402 of such Act with respect to a dependent child as
defined in section 407 (a) of such Act (as amended by this
section) within 6 months after the effective date of the modi-
fication of such State plan which provides for payments in
accordance with section 407 of such Act as so amended, the
father of such child shall be deemed to meet the requirements
of subparagraph (C) of section 407(b)(1) of such Act (as
so amended) if at any time after April 1961 and prior to
the date of application such father met the requirements of
such subparagraph (C). For purposes of the preceding sen­
tence, an individual receiving aid to families with dependent
children (under section 407 of the Social Security Act as
in effect before the enactment of this Act) for the last
month ending before the effective date of the modification
referred to in such sentence shall be deemed to have filed
application for such aid under such section 407 (as amended
by this section) on the day after such effective date.

(c) The amendment made by subsection (a) shall be
effective October 1, 1967; except that (1) no State which
had in operation a program of aid with respect to children of
unemployed parents under section 407 of the Social Security
Act (as in effect prior to such amendment) in the calendar
quarter commencing July 1, 1967, shall be required to in­
clude any additional child or family under its State plan
approved under section 402 of such Act, by reason of the
enactment of such amendment, prior to July 1, 1969; and
(2) no such State shall be required to deny aid under such
State plan to any individual, because the plan does not estab­
lish a community work and training program in accordance
with section 409 of such Act, prior to July 1, 1969.
COMMUNITY WORK AND TRAINING PROGRAMS

SEC. 204. (a) Section 409 of the Social Security Act is amended to read as follows:

"COMMUNITY WORK AND TRAINING PROGRAMS

"SEC. 409. For the purpose of assisting the States in encouraging, through community work and training programs of a constructive nature, the conservation of work skills and the development of new skills in appropriate cases for children and relatives receiving aid to families with dependent children, and other individuals (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under section 402 (a) (7), under conditions which are designed to assure protection of the health and welfare of such persons, expenditures (other than for medical or any other type of remedial care) for any month with respect to a dependent child under a State plan approved under section 402 shall be included in the term ‘aid to families with dependent children’ (as defined in section 406 (b)) where such expenditures are made in the form of payments for work performed in such month by such child, relative, or other individual if—

“(1) such child, relative, or other individual has attained age 16,

“(2) such work is performed under a work and
training program administered or supervised by the State agency and maintained and operated by that agency or another public or nonprofit agency for the purpose of preparing individuals for, or restoring them to, employability,

"(3) there is State financial participation in such expenditures,

"(4) the State plan includes provisions which, in the judgment of the Secretary, provide reasonable assurance that—

"(A) such work and training program conforms to standards prescribed by the Secretary;

"(B) such program is in effect in those political subdivisions of the State in which there is a significant number (determined in accordance with standards prescribed by the Secretary) of individuals who have attained age 16 and are receiving aid to families with dependent children;

"(C) (i) the vocational needs and potential of each appropriate child and each relative (applying for or receiving aid to families with dependent children), and of each other appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are (or would but for section 402 (a) (20) (B) be) taken into account in making
the determination under section 402 (a) (7), are evaluated, and (ii) the program is made available to any such child, relative, or other individual who is determined to have the capability for employment;

"(D) appropriate standards for health, safety, and other conditions applicable to the performance of such work are established and maintained (except that if State law establishes standards for health and safety which are applicable to the performance of such work in the State, the requirements of this subparagraph shall be deemed to be satisfied);

"(E) payments for such work are at rates not less than the minimum rate (if any) provided by or under applicable Federal or State law for the same type of work and not less than the rates prevailing for similar work in the community (except that in the case of work by individuals who under such law are considered learners or handicapped persons, payments may be at any special minimum rates established for them by or under such law);

"(F) such work is performed on projects which serve a useful public purpose and do not result in displacement of regular workers, with provision in appropriate cases for the performance of such work (pursuant to agreement entered into by the State
or local agency administering the State plan) for Federal, State, or local agencies or for private employers, organizations, agencies, or institutions;

"(G) in determining the needs of any such child, relative, or other individual, any additional expenses reasonably attributable to such work will be considered;

"(H) any such child, relative, or other individual shall have reasonable opportunities to seek regular employment and to secure any appropriate training or retraining which may be available; and

"(I) any such child, relative, or other individual will, with respect to the work so performed, be covered under the State workmen's compensation law or be provided comparable protection; and

"(5) the State plan includes—

"(A) provision for entering into cooperative arrangements with the public employment offices in the State for the utilization of such offices to assist any such child, relative, or other individual performing such work under such program to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such individuals and for maximum utilization of

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the job placement, vocational evaluation, testing, counseling, and other services and facilities of such offices;

"(B) provision that the services and facilities under title II of the Manpower Development and Training Act of 1962, and the services and facilities under any other Federal and State programs for manpower training, retraining, and work experience, shall, to the extent available, be utilized for the training, retraining, and work experience of the persons accepted for participation under such work and training program;

"(C) provision for entering into cooperative arrangements with the Federal and State agencies responsible for administering or supervising the administration of vocational education and adult education in the State, designed to assure maximum utilization of available public vocational or adult education services and facilities in the State in order to encourage the training or retraining of any such child, relative, or other individual performing work under such program and otherwise assist them in preparing for regular employment;

"(D) provision for assuring appropriate arrangements for the care and protection of children
during the absence from the home of any such relative performing work or receiving training under such program; and

"(E) provision that there will be no adjustment or recovery by the State or any political subdivision thereof on account of any payments which are correctly made for such work."

(b) Section 402(a) of such Act (as amended by sections 201(a) and 202(a) of this Act) is amended by inserting before the period at the end thereof the following new clauses: "; (19) include provisions to assure that all appropriate children and relatives receiving aid to families with dependent children, and all other appropriate individuals (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), register and periodically reregister with the public employment offices of the State; (20) provide that (A) if and for as long as any such appropriate child or relative refuses without good cause to so register or reregister, or refuses without good cause to accept employment in which he is able to engage and which is offered through the public employment offices of the State or is otherwise offered by an employer (and the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to
1 be a bona fide offer of employment), or refuses without
2 good cause to participate in a work and training program
3 under section 409 or undergo any other training for employ-
4 ment, then—
5
6 (i) if the relative makes such refusal, such rela-
7 tive’s needs shall not be taken into account in making
8 the determination under clause (7), and aid for any
9 dependent child in the family in any form other than
10 payments of the type described in section 406 (b) (2)
11 (which may be made in such a case without regard
12 to clauses (A) through (E) thereof) or section 408
13 will be denied,
14
15 (ii) aid with respect to a dependent child will
16 be denied if a child who is the only child receiving aid
17 in the family makes such refusal, and
18
19 (iii) if there is more than one child receiving aid
20 in the family, aid for any such child will be denied if that
21 child makes such refusal;
22
23 and (B) if and for as long as any such other appropriate
24 individual makes such a refusal, such individual’s needs
25 shall not be taken into account in making the determi-
26 nation under clause (7); (21) effective July 1, 1969, provide
27 for (A) a work and training program meeting the require-
28 ments of section 409 for appropriate individuals who have
29 attained age 16 and are receiving aid to families with depend-
ent children, and for other appropriate individuals living in
the same home whose needs are taken into account in
making the determination under clause (7), with the
objective that a maximum number of such individuals
will be benefited through the conservation of their work
skills and the development of new skills, and (B) expendi-
tures in the form of payments described in such section 409”.

(c) Section 403 (a) (3) of such Act (as amended by
section 201 (c) of this Act) is amended by inserting after
subparagraph (A) the following new subparagraph:

“(B) 75 per centum of so much of such ex-
penditures as are for—

“(i) training, supervision, materials, and
such other items as are authorized by the Secre-
tary, in connection with a work and training
program described in section 409, and

“(ii) other services (not included in clause
(i)), specified by the Secretary, which are
related to the purposes of such a program and
are provided to individuals who are participants
in such a program; plus”.

(d) Section 403 (a) of such Act is further amended by
adding at the end thereof the following new sentence:
“For purposes of subparagraph (B) of paragraph (3),
subject to limitations prescribed by the Secretary, the
services and items referred to in clauses (i) and (ii) of such
subparagraph may be furnished, pursuant to agreement
entered into by the State or local agency administering the
State plan, by employers, organizations, agencies, and institu-
tions equipped to furnish such services and items.”

(e) Notwithstanding subparagraph (B) of section 403
(a) (3) of the Social Security Act (as added by subsec-
tion (c) of this section), the rate specified in such sub-
paragraph in the case of any State shall be 85 per centum
(rather than 75 per centum) with respect to expenditures,
for services and training furnished, made on or after Oc-
tober 1, 1967, and prior to July 1, 1969.

(f) (1) Title III of the Social Security Act is amended
by adding at the end thereof the following new section:

“SERVICES FURNISHED BY PUBLIC EMPLOYMENT OFFICES
OF THE STATE

Sec. 304. The Secretary of Health, Education, and
Welfare shall enter into cooperative agreements with the
Secretary of Labor for the provision through the public em-
ployment offices in each State of such services as the Secre-
tary of Health, Education, and Welfare shall specify as
necessary to assure that individuals receiving or applying for
aid to families with dependent children under a plan ap-
proved under part A of title IV of this Act (1) are regis-
tered and periodically reregistered at such offices, (2) are
receiving testing and counseling services and such other
services as such offices make available to individuals to assist
them in securing and retaining employment, and (3) are,
in appropriate cases, referred to employers who have re-
quested such offices to furnish applicants for job placement.
The State agency administering or supervising the adminis-
tration of the plan of any State approved under section
402 of this Act shall pay the Secretary of Labor (as
expenses subject to section 403 (a) (3) (B) of this Act)
for any costs incurred in providing the services described
in clause (2) of the preceding sentence with re­spect to in-
dividuals who are receiving or applying for aid (or whose
needs are taken into account) under such plan.”

(2) Section 402 (a) of such Act (as amended by the
preceding provisions of this Act) is amended by inserting
before the period at the end thereof the following new clause:
“; (22) provide for payment to the Secretary of Labor
for any costs incurred in providing the services described in
clause (2) of the first sentence of section 304 with respect
to individuals who are receiving or applying for aid (or
whose needs are taken into account) under the plan”.

(g) The amendments made by subsections (a), (c),
and (f) (2) shall be effective on July 1, 1969, or, if earlier
(in the case of any State), on the date as of which the mod-
ification of the State plan to comply with such amendments
is approved. Except as otherwise specifically indicated therein, the amendment made by subsection (b) shall be effective April 1, 1968.

FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

SEC. 205. (a) Section 402 (a) of the Social Security Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; and (23) effective July 1, 1969, provide for aid to families with dependent children in the form of foster care in accordance with section 408".

(b) Section 403 (a) (1) (B) of such Act is amended by striking out "as exceeds" and all that follows and inserting in lieu thereof the following: "as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and".

(c) Section 408 (a) of such Act is amended by inserting "(A)" after "and (4) who", and by inserting before the semicolon at the end thereof the following: "; or (B) (i) would have received such aid in or for such month if application had been made therefor, or (ii) in the case of a
child who had been living with a relative specified in section 406 (a) within 6 months prior to the month in which such proceedings were initiated, would have received such aid in or for such month if in such month he had been living with (and removed from the home of) such a relative and application had been made therefor”.

(d) Sections 135 (e) and 155 (b) of the Public Welfare Amendments of 1962 are each amended by striking out “, and ending with the close of June 30, 1968”.

(e) The amendments made by subsections (b) and (c) shall apply only with respect to foster care provided after September 1967.

EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH DEPENDENT CHILDREN

SEC. 206. (a) Section 403 (a) of the Social Security Act (as amended by section 201 (e) of this Act) is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof “; and”, and by inserting after paragraph (3) the following new paragraph:

“(4) in the case of any State, an amount equal to the sum of—

“(A) 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with chil-
dren in the form of payments or care specified in
paragraph (1) of section 406 (e), and

“(B) 75 per centum of the total amount ex-
pended under the State plan during such quarter as
emergency assistance to needy families with chil-
dren in the form of services specified in paragraph
(2) of section 406 (e).”

(b) Section 406 of such Act (as amended by section
201 (f) of this Act) is amended by adding at the end thereof
the following new subsection:

“(e) The term ‘emergency assistance to needy families
with children’ means any of the following, furnished for a
period not in excess of 30 days in any 12-month period, in
the case of a needy child under the age of 21 who is (or,
within such period as may be specified by the Secretary, has
been) living with any of the relatives specified in subsection
(a) (1) in a place of residence maintained by one or more of
such relatives as his or their own home, but only where such
child is without available resources and the payments, care,
or services involved are necessary to avoid destitution of such
child or to provide suitable living arrangements in a home
for such child—

“(1) money payments, payments in kind, or such
other payments as the State agency may specify with re-
spect to, or medical care or any other type of remedial
care recognized under State law on behalf of, such child
or any other member of the household in which he is
living, and
“(2) such services as may be specified by the Sec­
retary;
but only with respect to a State whose State plan approved
under section 402 includes provision for such assistance.”

PROTECTIVE PAYMENTS AND VENDOR PAYMENTS WITH
RESPECT TO DEPENDENT CHILDREN

SEC. 207. (a) (1) Section 406 (b) (2) of the Social
Security Act is amended by striking out all that follows
“(2) ” and precedes “but only”, and inserting in lieu thereof
the following: “payments with respect to any dependent
child (including payments to meet the needs of the relative,
and the relative’s spouse, with whom such child is living,
and the needs of any other individual living in the same
home if such needs are taken into account in making the
determination under section 402 (a) (7) ) which do not meet
the preceding requirements of this subsection, but which
would meet such requirements except that such payments are
made to another individual who (as determined in accord­
ance with standards prescribed by the Secretary) is inter­
ested in or concerned with the welfare of such child or rela­
tive, or are made on behalf of such child or relative directly
to a person furnishing food, living accommodations, or other
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goods, services, or items to or for such child, relative, or
other individual,”.

(2) Section 406(b)(2) of such Act is further amended
by striking out clause (B), and redesignating clauses (C)
through (F) as clauses (B) through (E), respectively.

(3) Section 406(b) of such Act is further amended by
adding at the end thereof (after and below clause (E) (as
redesignated by paragraph (2) of this subsection)) the
following: “except that payments made under this clause
(2) shall be included in aid to families with dependent chil-
dren without regard to clauses (A) through (E) in the case
of a refusal described in section 402(a)(20);”.

(b) Section 403(a) of such Act (as amended by the
preceding provisions of this Act) is amended by striking out
the sentence immediately following paragraph (4).

(c) Section 202(e) of the Public Welfare Amendments
of 1962 is amended by striking out “, and ending with the
close of June 30, 1968”.

LIMITATION ON NUMBER OF CHILDREN WITH RESPECT TO
WHOM FEDERAL PAYMENTS MAY BE MADE

SEC. 208. (a) Section 403(a) of the Social Security
Act is amended by striking out “shall pay” in the matter
preceding paragraph (1) and inserting in lieu thereof the
following: “shall (subject to subsection (d)) pay”.

(b) Section 403 of such Act is further amended by
adding at the end thereof the following new subsection:
“(d) Notwithstanding any other provision of this Act, the number of dependent children who have been deprived of parental support or care by reason of the continued absence from the home of a parent with respect to whom payments under this section may be made to a State for any calendar quarter after 1967 shall not exceed the number which bears the same ratio to the total population of such State under the age of 21 on the first day of the year in which such quarter falls as the number of such dependent children with respect to whom payments under this section were made to such State for the calendar quarter beginning January 1, 1967, bore to the total population of such State under the age of 21 on that date.”

FEDERAL PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

Sec. 209. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

“FEDERAL PARTICIPATION IN PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

“Sec. 1119. In the case of an expenditure for repairing the home owned by an individual who is receiving aid or assistance, other than medical assistance to the aged, under a State plan approved under title I, X, XIV, or XVI, if—

“(1) the State agency or local agency administering the plan approved under such title has made a
finding (prior to making such expenditure) that (A) such home is so defective that continued occupancy is unwarranted, (B) unless repairs are made to such home, rental quarters will be necessary for such individual, and (C) the cost of rental quarters to take care of the needs of such individual (including his spouse living with him in such home and any other person whose needs were taken into account in determining the need of such individual) would exceed (over such time as the Secretary may specify) the cost of repairs needed to make such home habitable together with other costs attributable to continued occupancy of such home, and

"(2) no such expenditures were made for repairing such home pursuant to any prior finding under this section,

the amount paid to any such State for any quarter under section 3 (a), 1003 (a), 1403 (a), or 1603 (a) shall be increased by 50 per centum of such expenditures, except that the excess above $500 expended with respect to any one home shall not be included in determining such expenditures."

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after September 30, 1967.
PART 2—MEDICAL ASSISTANCE AMENDMENTS

LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

SEC. 220. (a) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(f) (1) (A) Payment under the preceding provisions of this section shall not be made with respect to any amount expended as medical assistance in a calendar quarter, in any State, for any member of a family the annual income of which exceeds the applicable income limitation determined under this paragraph.

(B) (i) Except as provided in subparagraph (C) and in clause (ii) of this subparagraph, the applicable income limitation with respect to any family is the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to $133\frac{1}{3}$ percent of the highest amount which would ordinarily be paid to a family of the same size without any income or resources, in the form of money payments, under the plan of the State approved under section 402 of this Act.

(ii) If the Secretary finds that the operation of a uniform maximum limits payments to families of more than
one size, he may adjust the amount otherwise determined
under clause (i) to take account of families of different sizes.

"(C) If $133\frac{1}{3}$ percent of the average per capita income
of the State is lower, by any percentage, than the amount
that would be determined under subparagraph (B) in the
case of a family consisting of four individuals—

"(i) the applicable income limitation for such a
family shall be $133\frac{1}{3}$ percent of such average per capita
income, and

"(ii) the applicable income limitation as otherwise
determined under subparagraph (B) for a family of any
other size shall be reduced by the same percentage.

"(D) The total amount of any applicable income limita-
tion determined under subparagraph (B) or (C) shall, if it
is not a multiple of $100 or such other amount as the Secre-
tary may prescribe, be rounded by the next higher multiple
of $100 or such other amount, as the case may be.

"(2) In computing a family’s income for purposes of
paragraph (1), there shall be excluded any costs (whether
in the form of insurance premiums or otherwise) incurred
by such family for medical care or for any other type of
remedial care recognized under State law.

"(3) For purposes of paragraph (1) (B), in the case
of a family consisting of only one individual, the ‘highest
amount which would ordinarily be paid to such family under the State's plan approved under section 402 of this Act shall be the amount determined by the State agency (on the basis of reasonable relationship to the amounts payable under such plan to families consisting of two or more persons) to be the amount of the aid which would ordinarily be payable under such plan to a family (without any income or resources) consisting of one person if such plan (without regard to section 408) provided for aid to such a family.

"(4) For purposes of paragraph (1) (C), the per capita income of each State shall be promulgated by the Secretary between July 1 and August 31 of each year, on the basis of the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the four quarters in the calendar year next succeeding such promulgation: Provided, That the Secretary shall make the promulgation which is effective for quarters in the calendar year 1968 as soon as possible after the enactment of the Social Security Amendments of 1967."

(b) (1) In the case of any State whose plan under title XIX of the Social Security Act is approved by the Secretary of Health, Education, and Welfare under section H.R. 12080—10
1902 after July 25, 1967, the amendment made by subsection (a) shall apply with respect to calendar quarters beginning after the date of enactment of this Act.

(2) In the case of any State whose plan under title XIX of the Social Security Act was approved by the Secretary of Health, Education, and Welfare under section 1902 of the Social Security Act prior to July 26, 1967, the amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1968, except that—

(A) with respect to the third and fourth calendar quarters of 1968, such subsection shall be applied by substituting in subsection (f) of section 1903 of the Social Security Act 150 percent for 133\(\frac{1}{3}\) percent each time such latter figure appears in such subsection (f), and

(B) with respect to all calendar quarters during 1969, such subsection shall be applied by substituting in subsection (f) of section 1903 of such Act 140 percent for 133\(\frac{1}{3}\) percent each time such latter figure appears in such subsection (f).

MAINTENANCE OF STATE EFFORT

SEC. 221. (a) Section 1117 (a) of the Social Security Act is amended by adding at the end thereof the following new sentence: “For any fiscal year ending on or after
June 30, 1967, and before July 1, 1969, in lieu of the substitution provided by paragraph (3) or (4), at the option of the State (i) paragraphs (1) and (2) of this subsection shall be applied on a fiscal year basis (rather than on a quarterly basis), and (ii) the base period fiscal year shall be either the fiscal year ending June 30, 1965, or the fiscal year ending June 30, 1964 (whichever is chosen by the State).

(b) Section 1117 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) (1) In the case of the quarters in any fiscal year ending before July 1, 1969, the reduction (if any) under this section shall, at the option of the State, be determined under paragraph (2), (3), or (4) of this subsection instead of under the preceding provisions of this section.

"(2) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903, and by substituting
a reference to this paragraph for the reference to subsections (a) and (b).

“(3) If the reduction determination is made under this paragraph for a State, then—

“(A) subsection (a) shall be applied by taking into account payments under section 523 and section 422,

“(B) subsection (b) shall be applied by adding a reference to section 523 and section 422 after each reference to title XIX, and

“(C) subsection (c) shall be applied by adding a reference to section 523 and section 422 after the reference to section 1903, and by substituting a reference to this paragraph for the reference to subsections (a) and (b).

“(4) If the reduction determination is made under this paragraph for a State, then—

“(A) subsection (a) shall be applied by taking into account only (i) money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, and (ii) payments under section 523 and section 422,

“(B) subsection (b) shall be applied by eliminating each reference to title XIX and substituting a reference to section 523 and section 422, and
“(C) subsection (c) shall be applied by eliminating the reference to section 1903 and substituting a reference to section 523 and section 422, and by substituting a reference to this paragraph for the reference to subsections (a) and (b).”

COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 222. (a) Section 1843 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“(h) (1) The Secretary shall, at the request of a State made before January 1, 1970, enter into a modification of an agreement entered into with such State pursuant to subsection (a) under which the coverage group described in subsection (b) and specified in such agreement is broadened to include individuals who are eligible to receive medical assistance under the plan of such State approved under title XIX.

“(2) For purposes of this section, an individual shall be treated as eligible to receive medical assistance under the plan of the State approved under title XIX if, for the month in which the modification is entered into under this subsection or for any month thereafter, he has been determined to be eligible to receive medical assistance under such plan. In the case of any individual who would (but for this subsec-
tion) be excluded from the agreement, subsections (c) and 
(d) (2) shall be applied as if they referred to the modifica-
tion under this subsection (in lieu of the agreement under 
subsection (a)), and subsection (d) (2) (C) shall be applied 
by substituting ‘second month following the first month’ for 
‘first month’.”

(b) (1) Section 1843 (d) (3) (A) of such Act is 
amended by striking out “ineligible for money payments of 
a kind specified in the agreement” and inserting in lieu 
thereof the following: “ineligible both for money payments 
of a kind specified in the agreement and (if there is in effect 
a modification entered into under subsection (h)) for med-
cal assistance”.

(2) Section 1843 (f) of such Act is amended—

(A) by inserting after “or XVI” the following: 
“or eligible to receive medical assistance under the plan 
of such State approved under title XIX”; and 

(B) by inserting after “and XVI” the following: 
“and individuals eligible to receive medical assistance 
under the plan of the State approved under title XIX”.

(3) The heading of section 1843 of such Act is amended 
by adding at the end thereof the following: “(OR ARE 
ELIGIBLE FOR MEDICAL ASSISTANCE)”.

(c) Section 1903 (b) of such Act is amended by insert-
ing "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) Notwithstanding the preceding provisions of this section, the amount determined under subsection (a) (1) for any State for any quarter beginning after December 31, 1967, shall not take into account any amounts expended as medical assistance with respect to individuals aged 65 or over which would not have been so expended if the individuals involved had been enrolled in the insurance program established by part B of title XVIII."

(d) Effective with respect to calendar quarters beginning after December 31, 1967, section 1903 (a) (1) of such Act is amended by striking out "and other insurance premiums" and inserting in lieu thereof "and, except in the case of individuals sixty-five years of age or older who are not enrolled under part B of title XVIII, other insurance premiums".

(e) (1) Section 1843 (a) of such Act is amended by striking out "1968" and inserting in lieu thereof "1970".

(2) Section 1843 (c) of such Act is amended—

(A) by striking out "and before January 1, 1968";

and

(B) by striking out "thereafter before January 1968"; and inserting in lieu thereof "thereafter".
(3) Section 1843 (d) (2) (D) of such Act is amended by striking out "(not later than January 1, 1968)".

MODIFICATION OF COMPARABILITY PROVISIONS

SEC. 223. (a) Section 1902 (a) (10) of the Social Security Act is amended—

(1) by inserting "(I)" after "except that" in the matter following subparagraph (B), and

(2) by inserting before the semicolon at the end the following: "; and (II) the making available of supplementary medical insurance benefits under part B of title XVIII to individuals eligible therefor (either pursuant to an agreement entered into under section 1843 or by reason of the payment of premiums under such title by the State agency on behalf of such individuals), or provision for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under part B of title XVIII for individuals eligible for benefits under such part, shall not, by reason of this paragraph (10), require the making available of any such benefits, or the making available of services of the same amount, duration, and scope, to any other individuals".

(b) The amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1967.
REQU...IRED SERVICES UNDER STATE MEDICAL ASSISTANCE

PLAN

SEC. 224. Section 1902 (a) (13) of the Social Security Act is amended by striking out "provide (A) for inclusion of at least the care and services listed in clauses (1) through (5) of section 1905 (a), and (B)" and inserting in lieu thereof the following: "provide (A) for inclusion of at least--"

"(i) the care and services listed in clauses (1) through (5) of section 1905 (a), or"

"(ii) the care and services listed in any seven of the clauses numbered (1) through (14) of such section, and (B)".

EXTENT OF FEDERAL FINANCIAL PARTICIPATION IN CERTAIN ADMINISTRATIVE EXPENSES

SEC. 225. (a) Section 1903 (a) (2) of the Social Security Act is amended by striking out "of the State agency (or of the local agency administering the State plan in the political subdivision)" and inserting in lieu thereof "of the State agency or any other public agency".

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after December 31, 1967.
Title XIX of the Social Security Act is amended by adding at the end thereof the following new section:

"ADVISORY COUNCIL ON MEDICAL ASSISTANCE

"Sec. 1906. For the purpose of advising the Secretary on matters of general policy in the administration of this title (including the relationship of this title and title XVIII) and making recommendations for improvements in such administration, there is hereby created a Medical Assistance Advisory Council which shall consist of twenty-one persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include representatives of State and local agencies and non-governmental organizations and groups concerned with health, and of consumers of health services, and a majority of the membership of the Advisory Council shall consist of representatives of consumers of health services. Each member shall hold office for a term of four 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, five at the end of the first year, five
at the end of the second year, five at the end of the third year,
and six at the end of the fourth year after the date of appoint­
ment. A member shall not be eligible to serve continuously
for more than two 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 com­
mittee, 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 ex­
penses, including per diem in lieu of subsistence, as author­
ized by section 5703 of title 5, United States Code, for per­
sons in the Government service employed intermittently. The
Advisory Council shall meet as frequently as the Secretary
deems necessary. Upon request of five or more members, it
shall be the duty of the Secretary to call a meeting of the
Advisory Council."
FREE CHOICE BY INDIVIDUALS ELIGIBLE FOR MEDICAL
ASSISTANCE

Sec. 227. (a) Section 1902(a) of the Social Security Act is amended—
(1) by striking out "and" at the end of paragraph
(21);
(2) by striking out the period at the end of para-
graph (22) and inserting in lieu thereof "; and"; and
(3) by adding after paragraph (22) the following
new paragraph;
"(23) provide that any individual eligible for med-
ical assistance may obtain such assistance from any insti-
tution, agency, or person, qualified to perform the service
or services required (including an organization which
provides such services, or arranges for their availability,
on a prepayment basis), who undertakes to provide him
such services."

(b) The amendments made by this section shall apply
with respect to calendar quarters beginning after June 30,
1969; except that such amendments shall apply in the case
of Puerto Rico, the Virgin Islands, and Guam only with
respect to calendar quarters beginning after June 30, 1972.
UTILIZATION OF STATE FACILITIES TO PROVIDE CONSULTATIVE SERVICES TO INSTITUTIONS FURNISHING MEDICAL CARE

SEC. 228. (a) Section 1902(a) of the Social Security Act (as amended by section 227 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (22);

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (23) the following new paragraph:

"(24) effective July 1, 1969, provide for consultative services by health agencies and other appropriate agencies of the State to hospitals, nursing homes, home health agencies, clinics, laboratories, and such other institutions as the Secretary may specify in order to assist them (A) to qualify for payments under this Act, (B) to establish and maintain such fiscal records as may be necessary for the proper and efficient administration of this Act, and (C) to provide information needed to determine payments due under this Act on account of care and services furnished to individuals."
(b) Effective July 1, 1969, the last sentence of section 1864(a) of such Act is repealed.

PAYMENTS FOR SERVICES AND CARE BY A THIRD PARTY

SEC. 229. (a) Section 1902(a) of the Social Security Act (as amended by section 228 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (23);

(2) by striking out the period at the end of paragraph (24) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (24) the following new paragraph:

"(25) provide (A) that the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties to pay for care and services (available under the plan) arising out of injury, disease, or disability, (B) that where the State or local agency knows that a third party has such a legal liability such agency will treat such legal liability as a resource of the individual on whose behalf the care and services are made available for purposes of paragraph (17) (B), and (C) that in any case where such a legal liability is found to exist after medical assistance has been made available on behalf of the individual, the
State or local agency will seek reimbursement for such assistance to the extent of such legal liability.”

(b) The amendment made by subsection (a) shall apply with respect to legal liabilities of third parties arising after March 31, 1968.

(c) Section 1903 (d) (2) of such Act is amended by adding at the end thereof the following new sentence: “Expenditures for which payments were made to the State under subsection (a) shall be treated as an overpayment to the extent that the State or local agency administering such plan has been reimbursed for such expenditures by a third party pursuant to the provisions of its plan in compliance with section 1902 (a) (25).”

DIRECT PAYMENTS TO CERTAIN RECIPIENTS OF MEDICAL ASSISTANCE

Sec. 230. Section 1905 (a) of the Social Security Act is amended by inserting after “for individuals” in the matter preceding clause (i) the following: “, and, with respect to physicians’ services, at the option of the State, to individuals not receiving aid or assistance under the State’s plan approved under title I, X, XIV, or XVI, or part A of title IV,”.
DATE ON WHICH STATE PLANS UNDER TITLE XIX MUST MEET CERTAIN FINANCIAL PARTICIPATION REQUIREMENTS

Sec. 231. Section 1902 (a) (2) of the Social Security Act is amended by striking out "July 1, 1970" and inserting in lieu thereof "July 1, 1969".

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

INCLUSION OF CHILD-WELFARE SERVICES IN TITLE IV

Sec. 235. (a) The heading of title IV of the Social Security Act is amended to read as follows:

"TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES"

(b) Title IV of such Act is further amended by inserting immediately after the heading of the title the following:

"PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN"

(c) Title IV of such Act is further amended by adding at the end thereof the following new part:

"PART B—CHILD-WELFARE SERVICES

"APPROPRIATION

Sec. 420. For the purpose of enabling the United States, through the Secretary, to cooperate with State public welfare agencies in establishing, extending, and strengthening child-welfare services, the following sums are hereby
authorized to be appropriated: $55,000,000 for the fiscal year ending June 30, 1968, $100,000,000 for the fiscal year ending June 30, 1969, and $110,000,000 for each fiscal year thereafter.

"ALLOTMENTS TO STATES

"Sec. 421. The sum appropriated pursuant to section 420 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 423) bears to the sum of the corresponding products of all the States.

"PAYMENT TO STATES

"Sec. 422. (a) From the sums appropriated therefor and the allotment available under this part, the Secretary shall from time to time pay to each State—

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides for coordination between the

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services provided under such plan and the services
provided for dependent children under the State
plan approved under part A of this title, with a view
to provision of welfare and related services which
will best promote the welfare of such children and
their families, and

"(B) provides, with respect to day care serv-
ices (including the provision of such care) provided
under the plan—

"(i) for cooperative arrangements with the
State health authority and the State agency
primarily responsible for State supervision of
public schools to assure maximum utilization of
such agencies in the provision of necessary
health services and education for children
receiving day care,

"(ii) for an advisory committee, to advise
the State public welfare agency on the general
policy involved in the provision of day care
services under the plan, which shall in-
clude among its members representatives of
other State agencies concerned with day care
or services related thereto and persons repre-
sentative of professional or civic or other public
or nonprofit private agencies, organizations, or
groups concerned with the provision of day care,

"(iii) for such safeguards as may be necessary to assure provision of day care under the plan only in cases in which it is in the best interest of the child and the mother and only in cases in which it is determined, under criteria established by the State, that a need for such care exists; and, in cases in which the family is able to pay part or all of the costs of such care, for payment of such fees as may be reasonable in the light of such ability,

"(iv) for giving priority, in determining the existence of need for such day care, to members of low-income or other groups in the population, and to geographical areas, which have the greatest relative need for extension of such day care, and

"(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
“(2) that makes a satisfactory showing that the
State is extending the provision of child-welfare services
in the State, with priority being given to communities
with the greatest need for such services after giving con­
sideration to their relative financial need, and with a view
to making available by July 1, 1975, in all political sub­
divisions of the State, for all children in need thereof,
child-welfare services provided by the staff (which shall
to the extent feasible be composed of trained child-wel­
fare personnel) of the State public welfare agency or of the local agency participating in the administration of
the plan in the political subdivision,
an amount equal to the Federal share (as determined under
section 423) of the total sum expended under such plan
(including the cost of administration of the plan) in meeting
the costs of State, district, county, or other local child-welfare
services, in developing State services for the encouragement and assistance of adequate methods of community child-
welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child. In develop-
ing such services for children, the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the State and local communities as may be authorized by the State.

"(b) The method of computing and paying such amounts shall be as follows:

"(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

"(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid to the State for such prior period under this section.

"ALLOTMENT PERCENTAGE AND FEDERAL SHARE

"SEC. 423. (a) The 'allotment 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 50 per centum as the per capita income of such State bears to the per capita income of the United States; except that (1) the allotment percentage
shall in no case be less than 30 per centum or more than 70 per centum, and (2) the allotment percentage shall be 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(b) The ‘Federal share’ for any State for any fiscal year shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States, except that (1) in no case shall the Federal share be less than 33\(\frac{1}{3}\) per centum or more than 66\(\frac{2}{3}\) per centum, and (2) the Federal share shall be 66\(\frac{2}{3}\) per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: Provided, That the Federal shares and allotment percentages promulgated under section 524 (c) of the Social Security Act in 1966 shall be effective for purposes of this section for the fiscal years ending June 30, 1968, and June 30, 1969.
“(d) For purposes of this section, the term ‘United States’ means the fifty States and the District of Columbia.

"REALLOTMENT"

"SEC. 424. The amount of any allotment to a State under section 421 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallocation from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallocations shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallocated to a State shall be deemed part of its allotment under section 421.

"DEFINITION"

"SEC. 425. For purposes of this title, the term ‘child-welfare services’ means public social services which supplement, or substitute for, parental care and supervision for
the purpose of (1) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster family homes or day-care or other child-care facilities.

"RESEARCH, TRAINING, OR DEMONSTRATION PROJECTS"

"Sec. 426. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine—

"(1) for grants by the Secretary—

"(A) to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child-welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare;
“(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part, for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and

“(C) to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships with such stipends and allowances as may be permitted by the Secretary; and

“(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

“(b) Payments of grants or under contracts or cooperative arrangements under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants, contracts, or other arrangements.”

(d) (1) Subparagraphs (A) and (B) of section 422
(a) (1) of the Social Security Act (as added by subsection (c) of this section) are redesignated as (B) and (C).

(2) So much of paragraph (1) of section 422(a) of such Act (as added by subsection (c) of this section) as precedes subparagraph (B) (as redesignated) is amended to read as follows:

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides that (i) the State agency designated pursuant to section 402(a)(3) to administer or supervise the administration of the plan of the State approved under part A of this title will administer or supervise the administration of such plan for child-welfare services and (ii) to the extent that child-welfare services are furnished by the staff of the State agency or local agency administering such plan for child-welfare services, the organizational unit in such State or local agency established pursuant to section 402(a)(15) will be responsible for furnishing such child-welfare services, ",

(e) (1) Part 3 of title V of the Social Security Act is repealed on the date this Act is enacted.

(2) Part B of title IV of the Social Security Act (as added by subsection (c) of this section), and the amend-
ments made by subsections (a) and (b) of this section, shall
become effective on the date this Act is enacted.

(3) The amendments made by subsection (d) shall
become effective July 1, 1969.

(f) In the case of any State which has a plan devel-
oped as provided in part 3 of title V of the Social Security
Act as in effect prior to the enactment of this Act—
(1) such plan shall be treated as a plan developed,
as provided in part B of title IV of such Act, on the
date this Act is enacted;
(2) any sums appropriated, allotted, or reallocated
pursuant to part 3 of title V for the fiscal year ending
June 30, 1968, shall be deemed appropriated, allotted,
or reallocated (as the case may be) under part B of title
IV of such Act for such fiscal year; and
(3) any overpayment or underpayment which the
Secretary determines was made to the State under sec-
tion 523 of the Social Security Act and with respect to
which adjustment has not then already been made under
subsection (b) of such section shall, for purposes of sec-
tion 422 of such Act, be considered an overpayment or
underpayment (as the case may be) made under section
422 of such Act.

(g) Any sums appropriated or grants made pursuant
to section 526 of the Social Security Act (as in effect prior
to the enactment of this Act) shall be deemed to have been
appropriated or made (as the case may be) under section 426 of the Social Security Act (as added by subsection (c) of this section).

(h) Each State plan approved under title IV of the Social Security Act as in effect on the day preceding the date of the enactment of this Act shall be deemed, without the necessity of any change in such plan, to have been conformed with the amendments made by subsections (a) and (b) of this section.

CONFORMING AMENDMENTS

SEC. 236. (a) Section 228 (d) (1) of the Social Security Act is amended by striking out “IV,” and by inserting after “XVI,” the following: “or part A of title IV,”.

(b) (1) The first sentence of section 401 of the Social Security Act is amended by striking out “title” and inserting in lieu thereof “part”.

(2) The proviso in section 403 (a) (3) (D) of such Act is amended by striking out “title” and inserting in lieu thereof “part”.

(3) The last sentence of section 403 (c) (2) of such Act is amended by striking out “title” and inserting in lieu thereof “part”.

(4) Section 404 (b) of such Act is amended by striking out “title” and inserting in lieu thereof “part”.

(5) Section 406 of such Act is amended by striking out “title” in the matter preceding subsection (a) and inserting in lieu thereof “part”.
(c) (1) Section 1106(c) (1) of such Act is amended by striking out "IV," and by inserting after "XIX," the following: "or part A of title IV,"

(2) Section 1109 of such Act is amended by striking out "IV," and by inserting after "XIX" the following: ", or part A of title IV,"

(3) Section 1111 of such Act is amended by striking out "IV," and by inserting after "XVI," the following: "and part A of title IV,"

(4) Section 1115 of such Act is amended by striking out "IV," and by inserting after "XIX" the following: ", or part A of title IV,"

(5) Section 1116 of such Act is amended—

(A) by striking out "IV," in subsection (a) (1), and by inserting after "XIX," in such subsection the following: "or part A of title IV,"; and

(B) by striking out "IV," in subsections (b) and (d), and by inserting after "XIX" in such subsections the following: ", or part A of title IV,"

(6) Section 1117 of such Act is amended—

(A) by striking out "IV," in clause (A) of subsection (a) (2), and by inserting after "XIX" in such clause the following: ", and part A of title IV,";

(B) by striking out "IV," each place it appears in subsection (b) ;
(C) by inserting after “and XIX” in subsection (b) the following: “, and part A of title IV,”;
(D) by inserting after “or XIX” in subsection (b) the following: “, or part A of title IV”.

(7) Section 1118 of such Act is amended by striking out “IV,”, and by inserting after “XVI,” the following: “, and part A of title IV,”.

(d) Section 1602 (a) (11) of such Act is amended by striking out “title IV, X, or XIV” and inserting in lieu thereof “part A of title IV or under title X or XIV”.

(e) (1) Section 1843 (b) (2) of such Act is amended by striking out “IV,”, and by inserting after “XVI” the following: “, and part A of title IV”.

(2) Section 1843 (f) of such Act is amended—
(A) by striking out “IV,” in the first sentence, and by inserting after “XVI,” the first place it appears in such sentence the following: “or part A of title IV,”, and
(B) by striking out “IV,” in the second sentence, and by inserting after “XVI” in such sentence the following: “, and part A of title IV”.

(f) (1) Section 1902 (a) (10) of such Act is amended by striking out “IV,”, and by inserting after “XVI” the following: “, and part A of title IV”.

(2) Section 1902 (a) (17) of such Act is amended by
striking out “IV,”, and by inserting after “XVI” the following: “, or part A of title IV”.

(3) Section 1902 (b) (2) of such Act is amended by striking out “title IV” and inserting in lieu thereof “part A of title IV”.

(4) Section 1902 (c) of such Act is amended by striking out “IV,”, and by inserting after “XVI” the following: “, or part A of title IV”.

(5) Section 1903 (a) (1) of such Act is amended by striking out “IV,”, and by inserting after “XVI,” the following: “or part A of title IV,”.

(6) Section 1905 (a) (ii) of such Act is amended by striking out “title IV” and inserting in lieu thereof “part A of title IV”.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

PARTIAL PAYMENTS TO STATES

Sec. 245. Sections 4, 404 (a), 1004, and 1404 of the Social Security Act are each amended—

(1) by striking out “further payments will not be made to the State” and inserting in lieu thereof “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)”;

and

(2) by striking out the last sentence and inserting in lieu thereof the following: “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)."

CONTRACTS FOR COOPERATIVE RESEARCH OR DEMON-

stration Projects

Sec. 246. Section 1110 (a) (2) of the Social Security
Act is amended by striking out "nonprofit".

PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION
PROJECTS

Sec. 247. Section 1115 of the Social Security Act is
amended—

(1) by striking out "$2,000,000" and inserting in
lieu thereof "$4,000,000"; and

(2) by striking out "ending prior to July 1, 1968"
and inserting in lieu thereof "beginning after June 30,
1967".

SPECIAL PROVISIONS RELATING TO PUERTO RICO, THE
VIRGIN ISLANDS, AND GUAM

Sec. 248. (a) (1) Section 1108 of the Social Security
Act is amended to read as follows:

"LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN
ISLANDS, AND GUAM

"Sec. 1108. (a) The total amount certified by the
Secretary of Health, Education, and Welfare under title I,
X, XIV, and XVI, and under part A of title IV (exclu-
(1) for payment to Puerto Rico shall not exceed—

(A) $12,500,000 with respect to the fiscal year 1968,

(B) $15,000,000 with respect to the fiscal year 1969,

(C) $18,000,000 with respect to the fiscal year 1970,

(D) $21,000,000 with respect to the fiscal year 1971, or

(E) $24,000,000 with respect to the fiscal year 1972 and each fiscal year thereafter;

(2) for payment to the Virgin Islands shall not exceed—

(A) $425,000 with respect to the fiscal year 1968,

(B) $500,000 with respect to the fiscal year 1969,

(C) $600,000 with respect to the fiscal year 1970,

(D) $700,000 with respect to the fiscal year 1971, or
"(E) $800,000 with respect to the fiscal year 1972 and each fiscal year thereafter; and

"(3) for payment to Guam shall not exceed—

"(A) $575,000 with respect to the fiscal year 1968,

"(B) $690,000 with respect to the fiscal year 1969,

"(C) $825,000 with respect to the fiscal year 1970,

"(D) $960,000 with respect to the fiscal year 1971, or

"(E) $1,100,000 with respect to the fiscal year 1972 and each fiscal year thereafter.

"(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services and services and items referred to in sections 403(a)(3)(B) and 304(2) with respect to any fiscal year—

"(1) for payment to Puerto Rico shall not exceed $2,000,000,

"(2) for payment to the Virgin Islands shall not exceed $65,000, and

"(3) for payment to Guam shall not exceed $90,000.

"(c) The total amount certified by the Secretary under title XIX with respect to any fiscal year—
"(1) for payment to Puerto Rico shall not exceed $20,000,000,

"(2) for payment to the Virgin Islands shall not exceed $650,000, and

"(3) for payment to Guam shall not exceed $900,000.

"(d) Notwithstanding the provisions of sections 502 (a) and 512 (a) of this Act, and the provisions of sections 421, 503 (1), and 504 (1) of this Act as amended by the Social Security Amendments of 1967, and until such time as the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the initial allotment specified in such sections, allot such smaller amounts to Guam as he may deem appropriate."

(2) The amendment made by paragraph (1) shall apply with respect to fiscal years beginning after June 30, 1967.

(b) Notwithstanding subparagraphs (A) and (B) of section 403 (a) (3) of such Act (as amended by this Act), the rate specified in such subparagraphs in the case of Puerto Rico, the Virgin Islands, and Guam shall be 60 per centum (rather than 75 or 85 per centum).

(c) Effective July 1, 1969, neither the provisions of clauses (A) through (C) of section 402 (a) (7) of such Act as in effect before the enactment of this Act nor the
provisions of section 402(a)(8) of such Act as amended by section 202(b) of this Act shall apply in the case of Puerto Rico, the Virgin Islands, or Guam. Effective no later than July 1, 1972, the State plans of Puerto Rico, the Virgin Islands, and Guam approved under section 402 of such Act shall provide for the disregarding of income in making the determination under section 402(a)(7) of such Act in amounts (agreed to between the Secretary and the State agencies involved) sufficiently lower than the amounts specified in section 402(a)(8) of such Act to reflect appropriately the applicable differences in income levels.

(d) The amendment made by section 220(a) of this Act shall not apply in the case of Puerto Rico, the Virgin Islands, or Guam.

(e) Effective with respect to quarters after 1967, section 1905(b) of such Act is amended by striking out "55 per centum" and inserting in lieu thereof "50 per centum".

APPROVAL OF CERTAIN PROJECTS

Sec. 249. Title XI of the Social Security Act is amended by adding at the end thereof (after the new section added by section 209 of this Act) the following new section:

"APPROVAL OF CERTAIN PROJECTS

"Sec. 1120. (a) No payment shall be made under this Act with respect to any experimental, pilot, demonstration,
or other project all or any part of which is wholly financed with Federal funds made available under this Act (without any State, local, or other non-Federal financial participation) unless such project shall have been personally approved by the Secretary or Under Secretary of Health, Education, and Welfare.

“(b) As soon as possible after the approval of any project under subsection (a), the Secretary shall submit to the Congress a description of such project including a statement of its purpose, probable cost, and expected duration.”

TITLE III—IMPROVEMENT OF CHILD HEALTH

CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V OF THE SOCIAL SECURITY ACT

Sec. 301. Effective with respect to fiscal years beginning after June 30, 1968, title V of the Social Security Act (as otherwise amended by this Act) is amended to read as follows:

“TITLE V—MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN’S SERVICES

“AUTHORIZATION OF APPROPRIATIONS

“Sec. 501. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State,
“(1) services for reducing infant mortality and otherwise promoting the health of mothers and children; and

“(2) services for locating, and for medical, surgical, corrective, and other services and care for and facilities for diagnosis, hospitalization, and aftercare for, children who are crippled or who are suffering from conditions leading to crippling,

there are authorized to be appropriated $250,000,000 for the fiscal year ending June 30, 1969, $275,000,000 for the fiscal year ending June 30, 1970, $300,000,000 for the fiscal year ending June 30, 1971, $325,000,000 for the fiscal year ending June 30, 1972, and $350,000,000 for the fiscal year ending June 30, 1973, and each fiscal year thereafter.

“PURPOSES FOR WHICH FUNDS ARE AVAILABLE

“Sec. 502. (a) Appropriations pursuant to section 501 shall be available for the following purposes in the following proportions:

“(1) In the case of the fiscal year ending June 30, 1969, and each of the next 3 fiscal years, (A) 50 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; (B) 40 percent thereof shall be for grants pursuant to sections 508, 509, and 510; and (C) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.
“(2) In the case of the fiscal year ending June 30, 1973, and each fiscal year thereafter, (A) 90 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; and (B) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.

Not to exceed 5 percent of the appropriation for any fiscal year under this section shall be transferred, at the request of the Secretary, from one of the purposes specified in paragraph (1) or (2) to another purpose or purposes so specified. For each fiscal year, the Secretary shall determine the portion of the appropriation, within the percentage determined above to be available for sections 503 and 504, which shall be available for allotment pursuant to section 503 and the portion thereof which shall be available for allotment pursuant to section 504.

"ALLOTMENTS TO STATES FOR MATERNAL AND CHILD HEALTH SERVICES"

"Sec. 503. The amount determined to be available pursuant to section 502 for allotments under this section shall be allotted for payments for maternal and child health services as follows:

“(1) One-half of such amount shall be allotted by allotting to each State $70,000 plus such part of the remainder of such one-half as he finds that the number
of live births in such State bore to the total number of
live births in the United States in the latest calendar
year for which he has statistics.

“(2) The remaining one-half of such amount shall
(in addition to the allotments under paragraph (1)) be
allotted to the States from time to time according to the
financial need of each State for assistance in carrying
out its State plan, as determined by the Secretary after
taking into consideration the number of live births in
such State; except that not more than 25 percent of such
one-half shall be available for grants to State agencies
(administering or supervising the administration of a
State plan approved under section 505), and to public
or other nonprofit institutions of higher learning (situ­
at ed in any State), for special projects of regional or na­
tional significance which may contribute to the advance­ment of maternal and child health.

“ALLOTMENTS TO STATES FOR CRIPPLED CHILDREN’S SERVICES

“Sec. 504. The amount determined to be available pur­
suant to section 502 for allotments under this section shall
be allotted for payments for crippled children’s services as
follows:

“(1) One-half of such amount shall be allotted by
alloting to each State $70,000 and allotting the re­
mainder of such one-half according to the need of each
State as determined by him after taking into considera-
tion the number of crippled children in such State in need
of the services referred to in paragraph (2) of section
501 and the cost of furnishing such services to them.

(2) The remaining one-half of such amount shall
(in addition to the allotments under paragraph (1)) be
allotted to the States from time to time according to the
financial need of each State for assistance in carrying
out its State plan, as determined by the Secretary after
taking into consideration the number of crippled children
in each State in need of the services referred to in para-
graph (2) of section 501 and the cost of furnishing
such services to them; except that not more than 25 per-
cent of such one-half shall be available for grants to
State agencies (administering or supervising the admin-
istration of a State plan approved under section 505),
and to public or other nonprofit institutions of higher
learning (situated in any State), for special projects of
regional or national significance which may contribute
to the advancement of services for crippled children.

"APPROVAL OF STATE PLANS

"Sec. 505. (a) In order to be entitled to payments
from allotments under section 502, a State must have a
State plan for maternal and child health services and services for crippled children which—

"(1) provides for financial participation by the State;

"(2) provides for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; except that in the case of those States which on July 1, 1967, provided for administration (or supervision thereof) of the State plan approved under section 513 (as in effect on such date) by a State agency other than the State health agency, the plan of such State may be approved under this section if it would meet the requirements of this subsection except for provision of administration (or supervision thereof) by such other agency for the portion of the plan relating to services for crippled children, and, in each such case, the portion of such 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;

"(3) provides 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) as are necessary for the proper and efficient operation of the plan;

"(4) provides 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 he may from time to time find necessary to assure the correctness and verification of such reports;

"(5) provides for cooperation with medical, health, nursing, educational, and welfare groups and organizations and, with respect to the portion of the plan relating to services for crippled children, with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children;

"(6) provides 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;

"(7) provides, with respect to the portion of the plan relating to services for crippled children, for early identification of children in need of health care and services, and for health care and treatment needed to correct or ameliorate defects or chronic conditions discovered
thereby, through provision of such periodic screening and diagnostic services, and such treatment, care and other measures to correct or ameliorate defects or chronic conditions, as may be provided in regulations of the Secretary;

“(8) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 508 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily helping to reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with child bearing and of satisfactorily helping to reduce infant and maternal mortality;

“(9) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 509 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the health of children and youth of school or preschool age;

“(10) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 510 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the
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dental health of children and youth of school or preschool age;

"(1) provides for carrying out the purposes specified in section 501; and

"(12) provides for the development of demonstration services (with special attention to dental care for children and family planning services for mothers) in needy areas and among groups in special need.

"(b) The Secretary shall approve any plan which meets the requirements of subsection (a).

"PAYMENTS

"Sec. 506. (a) From the sums appropriated therefor and the allotments available under section 503 (1) or 504 (1), as the case may be, the Secretary shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing July 1, 1968, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan with respect to maternal and child health services and services for crippled children, respectively.

"(b) (1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsection (a) for such quarter, such esti-
mates 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 subsection, 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) Upon the making of an estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

"(c) The Secretary shall also from time to time make payments to the States from their respective allotments pursuant to section 503 (2) or 504 (2). Payments of grants under sections 503 (2), 504 (2), 508, 509, 510, and 511, and of grants, contracts, or other arrangements under section
512, may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the section involved.

(d) The total amount determined under subsections (a) and (b) and the first sentence of subsection (c) for any fiscal year ending after June 30, 1968, shall be reduced by the amount by which the sum expended (as determined by the Secretary) from non-Federal sources for maternal and child health services and services for crippled children for such year is less than the sum expended from such sources for such services for the fiscal year ending June 30, 1968. In the case of any such reduction, the Secretary shall determine the portion thereof which shall be applied, and the manner of applying such reduction, to the amounts otherwise payable from allotments under section 503 or section 504.

(e) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder from the allotments under section 503 or section 504 for any period after June 30, 1968, unless the State makes a satisfactory showing that it is extending the provision of services, including services for dental care for children and family planning for mothers, to which such State's plan applies in
the State with a view to making such services available by July 1, 1975, to children and mothers in all parts of the State.

"OPERATION OF STATE PLANS

"SEC. 507. 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 505; 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)."
"SPECIAL PROJECT GRANTS FOR MATERNITY AND INFANT CARE

"SEC. 508. (a) In order to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing and to help reduce infant and maternal mortality, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 5C2, 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, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost (exclusive of general agency overhead) of any project for the provision of—

"(1) necessary health care to prospective mothers (including, after childbirth, health care to mothers and their infants) who have or are likely to have conditions associated with childbearing or are in circumstances which increase the hazards to the health of the mothers or their infants (including those which may cause physical or mental defects in the infants), or

"(2) necessary health care to infants during their
first year of life who have any condition or are in circumstances which increase the hazards to their health, or

"(3) family planning services,

but only if the State or local agency determines that the recipient will not otherwise receive such necessary health care or services because he is from a low-income family or for other reasons beyond his control.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN

"Sec. 509. (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, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, 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 505, 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 percent 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. “(b) No grant may be made under this section for any project for any period after June 30, 1972.
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SPECIAL PROJECT GRANTS FOR DENTAL HEALTH OF CHILDREN

Sec. 510. (a) In order to promote the dental health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make grants, from the sums available under clause (B) of paragraph (1) of section 502, 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, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for dental care and services for children and youth of school age or for preschool children. No project shall be eligible for a grant under this section unless it provides 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 unless it includes (subject to the limitation in the foregoing provisions of this sentence) at least such preventive services, treatment, correction of defects, and after care, for such age groups, as may be provided in regulations of the Secretary. Such projects may also include research looking toward the development of new
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methods of diagnosis or treatment, or demonstration of the utilization of dental personnel with various levels of training.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"TRAINING OF PERSONNEL

"Sec. 511. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to public or nonprofit private institutions of higher learning for training personnel for health care and related services for mothers and children, particularly mentally retarded children and children with multiple handicaps. In making such grants, the Secretary shall give priority to programs providing training at the undergraduate level.

"RESEARCH PROJECTS RELATING TO MATERNAL AND CHILD HEALTH SERVICES AND CRIPPLED CHILDREN’S SERVICES

"Sec. 512. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to or jointly financed cooperative arrangements with public or other nonprofit institutions of higher learning, and public or nonprofit private agencies and organizations engaged in research or in maternal and child health or crippled children’s programs, and contracts with public or nonprofit private agencies and organizations engaged in research or in such programs, for research projects relating to maternal and child health
services or crippled children's services which show promise of substantial contribution to the advancement thereof. Effective with respect to grants made and arrangements entered into after June 30, 1968, (1) special emphasis shall be accorded to projects which will help in studying the need for, and the feasibility, costs, and effectiveness of, comprehensive health care programs in which maximum use is made of health personnel with varying levels of training, and in studying methods of training for such programs, and (2) grants under this section may also include funds for the training of health personnel for work in such projects.

**ADMINISTRATION**

"Sec. 513. (a) The Secretary of Health, Education, and Welfare shall make such studies and investigations as will promote the efficient administration of this title.

"(b) Such portion of the appropriations for grants under section 501 as the Secretary may determine, but not exceeding one-half of 1 percent thereof, shall be available for evaluation by the Secretary (directly or by grants or contracts) of the programs for which such appropriations are made and, in the case of allotments from any such appropriation, the amount available for allotments shall be reduced accordingly.

"(c) Any agency, institution, or organization shall, if and to the extent prescribed by the Secretary, as a condition to receipt of grants under this title, cooperate with the State agency administering or supervising the administration of the State plan approved under title XIX in the provision of care
and services, available under a plan or project under this title, for children eligible therefor under such plan approved under title XIX.

“DEFINITION

“SEC. 514. For purposes of this title, a crippled child is an individual under the age of 21 who has an organic disease, defect, or condition which may hinder the achievement of normal growth and development.”

CONFORMING AMENDMENTS

SEC. 302. (a) Section 1905 (a) (4) of the Social Security Act is amended by inserting “(A)” after “(4)”, and by inserting before the semicolon at the end thereof the following: “(B) effective July 1, 1969, such early and periodic screening and diagnosis of individuals who are eligible under the plan and are under the age of 21 to ascertain their physical or mental defects, and such health care, treatment, and other measures to correct or ameliorate defects and chronic conditions discovered thereby, as may be provided in regulations of the Secretary”.

(b) Section 1902 (a) (11) of such Act is amended by inserting “(A)” after “(11)”, and by inserting before the semicolon at the end thereof the following: “, and (B) effective July 1, 1969, provide, to the extent prescribed by the Secretary, for entering into agreements, with any agency, institution, or organization receiving payments for part or all of the cost of plans or projects under title V, (i) providing for utilizing such agency, institution, or organiza-
tion in furnishing care and services which are available
under such plan or project under title V and which are
included in the State plan approved under this section and
(ii) making such provision as may be appropriate for reim-
bursing such agency, institution, or organization for the
cost of any such care and services furnished any individual
for which payment would otherwise be made to the State
with respect to him under section 1903”.

1968 AUTHORIZATION FOR MATERNITY AND INFANT
CARE PROJECTS

SEC. 303. Section 531 (a) of the Social Security Act is
amended by striking out “and $30,000,000 for each of the
next three fiscal years” and inserting in lieu thereof “$30,-
000,000 for each of the next 2 fiscal years, and $35,000,000
for the fiscal year ending June 30, 1968”.

SHORT TITLE

SEC. 304. This title may be cited as the “Child Health
Act of 1967”.

TITLE IV—GENERAL PROVISIONS

SOCIAL WORK MANPOWER AND TRAINING

SEC. 401. Title VII of the Social Security Act is
amended by adding at the end thereof the following new
section:

“GRANTS FOR EXPANSION AND DEVELOPMENT OF
UNDERGRADUATE AND GRADUATE PROGRAMS

“Sec. 707. (a) There is authorized to be appropri-
ated $5,000,000 for the fiscal year ending June 30, 1969,
and $5,000,000 for each of the three succeeding fiscal years, for grants by the Secretary to public or nonprofit private colleges and universities and to accredited graduate schools of social work or an association of such schools to meet part of the costs of development, expansion, or improvement of (respectively) undergraduate programs in social work and programs for the graduate training of professional social work personnel, including the costs of compensation of additional faculty and administrative personnel and minor improvements of existing facilities. Not less than one-half of the sums appropriated for any fiscal year under the authority of this subsection shall be used by the Secretary for grants with respect to undergraduate programs.

"(b) In considering applications for grants under this section, the Secretary shall take into account the relative need in the States for personnel trained in social work and the effect of the grants thereon.

"(c) Payment of grants under this section may be made (after necessary adjustments on account of previously made overpayments or underpayments) in advance or by way of reimbursement, and on such terms and conditions and in such installments, as the Secretary may determine.

"(d) For purposes of this section—

"(1) the term 'graduate school of social work' means a department, school, division, or other administrative unit, in a public or nonprofit private college or university, which provides, primarily or exclusively, a
program of education in social work and allied subjects
leading to a graduate degree in social work;

"(2) the term 'accredited' as applied to a graduate
school of social work refers to a school which is accredited
by a body or bodies approved for the purpose by the
Commissioner of Education or with respect to which
there is evidence satisfactory to the Secretary that it
will be so accredited within a reasonable time; and

"(3) the term 'nonprofit' as applied to any college
or university refers to a college or university which is a
corporation or association, or is owned and operated by
one or more corporations or associations, no part of the
net earnings of which inures, or may lawfully inure, to
the benefit of any private shareholder or individual."

INCENTIVE FOR LOWERING COSTS WHILE MAINTAINING
QUALITY AND INCREASING EFFICIENCY IN THE PRO-
VISION OF HEALTH SERVICES

SEC. 402. (a) The Secretary of Health, Education,
and Welfare is authorized to develop and engage in experi-
ments under which organizations and institutions which
would otherwise be entitled to reimbursement or payment
on the basis of reasonable cost for services provided—

(1) under title XVIII of the Social Security Act
(2) under a State plan approved under title XIX
of such Act, or
(3) under a plan developed under title V of such
Act,
and which are selected by the Secretary in accordance with regulations established by the Secretary, would be reimbursed or paid in any manner mutually agreed upon by the Secretary and the organization or institution. The method of reimbursement which may be applied in such experiments shall be such as the Secretary may select and may be based on charges or costs adjusted by incentive factors and may include specific incentive payments or reductions of payments for the performance of specific actions but in any case shall be such as he determines may, through experiment, be demonstrated to have the effect of increasing the efficiency and economy of health services through the creation of additional incentives to these ends without adversely affecting the quality of such services.

(b) In the case of any experiment under subsection (a), the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the Social Security Act insofar as such requirements relate to reimbursement or payment on the basis of reasonable cost; and costs incurred in such experiment in excess of the costs which would otherwise be reimbursed or paid under such titles may be reimbursed or paid to the extent that such waiver applies to them (with such excess being borne by the Secretary).

(c) Section 1875(b) of the Social Security Act is amended by inserting after “under parts A and B” the fol-
CHANGES TO REFLECT CODIFICATION OF TITLE 5, UNITED STATES CODE

SEC. 403. (a) (1) Section 210 (a) (6) (C) (iv) of the Social Security Act is amended by striking out “under section 2 of the Act of August 4, 1947” and inserting in lieu thereof “under section 5351 (2) of title 5, United States Code”, and by striking out “; 5 U.S.C., sec. 1052”.

(2) Section 210 (a) (6) (C) (vi) of such Act is amended by striking out “the Civil Service Retirement Act” and inserting in lieu thereof “subchapter III of chapter 83 of title 5, United States Code,”.

(3) Section 210 (a) (7) (D) (ii) of such Act is amended by striking out “under section 2 of the Act of August 4, 1947” and inserting in lieu thereof “under section 5351 (2) of title 5, United States Code”, and by striking out “; 5 U.S.C. 1052”.

(b) Section 215 (h) (1) of such Act is amended—

(1) by striking out “of the Civil Service Retirement Act,” and inserting in lieu thereof “of subchapter III of chapter 83 of title 5, United States Code,”; and

(2) by striking out “under the Civil Service Retirement Act” and inserting in lieu thereof “under subchapter III of chapter 83 of title 5, United States Code,”.

(c) (1) Section 217 (f) (1) of such Act is amended—
(A) by striking out "the Civil Service Retirement Act of May 29, 1930, as amended," and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,"; and

(B) by striking out "such Act of May 29, 1930, as amended," and inserting in lieu thereof "such subchapter III".

(2) Section 217 (f) (2) of such Act is amended by striking out "the Civil Service Retirement Act of May 29, 1930, as amended," and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(d) (1) Section 706 (b) of such Act is amended by striking out "the civil service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(2) Section 706 (c) (2) of such Act is amended by striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2)" and inserting in lieu thereof "section 5703 of title 5, United States Code,".

(e) (1) Section 1114 (b) of such Act is amended by striking out "the civil-service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(2) Section 1114 (f) of such Act is amended by striking out "the civil-service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".
(3) Section 1114 (g) of such Act is amended by striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2)" and inserting in lieu thereof "section 5703 of title 5, United States Code.”.

(f) (1) Section 1501 (a) (6) of such Act is amended by striking out "the Civil Service Retirement Act of 1930" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,”.

(2) Section 1501 (a) (9) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947” and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code”, and by striking out “; 5 U.S.C., sec. 1052”.

(g) (1) Section 1840 (e) (1) of such Act is amended by striking out "the Civil Service Retirement Act, or other Act” and inserting in lieu thereof “subchapter III of chapter 83 of title 5, United States Code, or any other law”.

(2) Section 1840 (e) (2) of such Act is amended by striking out “such other Act” and inserting in lieu thereof “such other law”.

(h) Section 103 (b) (3) of the Social Security Amendments of 1965 is amended—

(1) by striking out “the Federal Employees Health Benefits Act of 1959” in subparagraph (A) and inserting in lieu thereof “chapter 89 of title 5, United States Code”; and
(2) by striking out “such Act” in subparagraph (C) and inserting in lieu thereof “such chapter”.

(i) (1) Section 3121 (b) (6) (C) (iv) of the Internal Revenue Code of 1954 is amended by striking out “under section 2 of the Act of August 4, 1947” and inserting in lieu thereof “under section 5351 (2) of title 5, United States Code”, and by striking out “; 5 U.S.C., sec. 1052”.

(2) Section 3121 (b) (6) (C) (vi) of such Code is amended by striking out “the Civil Service Retirement Act” and inserting in lieu thereof “subchapter III of chapter 83 of title 5, United States Code,”.

(3) Section 3121 (b) (7) (C) (ii) of such Code is amended by striking out “under section 2 of the Act of August 4, 1947” and inserting in lieu thereof “under section 5351 (2) of title 5, United States Code”, and by striking out “; 5 U.S.C. 1052”.

MEANING OF SECRETARY

Sec. 404. As used in the amendments made by this Act (unless the context otherwise requires), the term “Secretary” means the Secretary of Health, Education, and Welfare.

Passed the House of Representative August 17, 1967.

Attest: W. PAT JENNINGS, Clerk.
AN ACT

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

AUGUST 18, 1967
Read twice and referred to the Committee on Finance
SOCIAL SECURITY AMENDMENTS OF 1967

To Administrative, Supervisory, and Technical Employees

Today the House of Representatives passed, without amendment, H. R. 12080, the "Social Security Amendments of 1967," by a vote of 415 to 3. This is the bill that was described in Commissioner's Bulletin No. 59.

The bill now goes to the Senate for consideration by the Committee on Finance. Public hearings on the bill have been scheduled by the Committee to begin next Tuesday, August 22.

Robert M. Ball
Commissioner
SOCIAL SECURITY AMENDMENTS OF 1967

COMPARISON OF H.R. 12080, AS PASSED BY THE HOUSE OF REPRESENTATIVES, WITH EXISTING LAW

COMMITTEE ON FINANCE
UNITED STATES SENATE

RUSSELL B. LONG, Chairman

AUGUST 23, 1967

Printed for the use of the Committee on Finance

WASHINGTON : 1967
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MAJOR PROVISIONS OF H.R. 12080, SOCIAL SECURITY AMENDMENTS OF 1967, AS PASSED BY THE HOUSE OF REPRESENTATIVES

I. Old-Age, Survivors, Disability, and Health Insurance Amendments

A. Old-Age, Survivors, and Disability Insurance

1. Increase in Social Security Benefits

Benefits would be increased by 12% percent for people now receiving benefits, with a minimum benefit of $50 a month for a worker who retired at age 65 or later. Under present law benefits range from $44 to $142 a month for retired workers who are now receiving benefits and who retired at age 65 or later. Under the provisions of H.R. 12080 these amounts would be increased to $50 and $159.80. The average social security benefit now paid to all aged couples—$145 a month—would be increased to $164.

The bill provides for an increase in the amount of special payments now given to certain people age 72 and over from $35 to $40 for a worker or a widow, and from $52.50 to $60 for a couple.

Provision is made in the bill to increase the amount of earnings which would be subject to social security taxes and used in computing benefits. Under present law a person pays taxes on—and will collect benefits on—annual earnings of not more than $6,600. Under H.R. 12080 this amount would be increased to $7,600 a year, effective January 1, 1968.

Effective date.—The increased benefits would be payable beginning with the second month after the month in which the bill is enacted.

2. Benefits to Disabled Widows and Widowers

The bill provides for the payment of monthly benefits to those disabled widows and widowers of covered deceased workers who are between the ages of 50 and 62. If a disabled widow or widower first received benefits at age 50, then the benefit would be 50 percent of the primary insurance amount. The amount payable would increase up to 82 1/2 percent of the primary insurance amount, depending on the age at which benefits began. The reduction would continue to apply to benefits which were paid after the recipient reached age 62.

A widow or widower would be determined to be disabled only if the disability is one that, under regulations prescribed by the Secretary of Health, Education, and Welfare, is deemed to be severe enough to preclude any gainful activity.

Effective date.—Benefits would be payable for the second month after the month in which the bill is enacted. It is estimated that 65,000 widows and widowers would be eligible for disability benefits upon enactment, and that $60 million in benefits would be paid in 1968.

3. Change in the Retirement Test

The bill provides for an increase from $1,500 to $1,680 in the amount of annual earnings a beneficiary under age 72 can have without having any benefits withheld. Provision is made for an increase from $125 to $140 in the amount of monthly wages a person can have (who does not engage in substantial self-employment) and still get a benefit for the month. As in present law, the bill provides that $1 in benefits be withheld for each $2 of the first $1,200 of earnings above the annual exempt amount, and $1 in benefits for each $1 in earnings above that amount.

Effective date.—The provision would be effective for earnings in 1968. It is estimated that about 760,000 people would receive additional benefits, amounting to $140 million in the first year.
4. DEPENDENCY OF A CHILD ON THE MOTHER

Under the bill a child would be considered dependent on the mother under the same conditions that he is now considered dependent on the father. As a result, a child would be entitled to benefits if the mother was either fully or currently insured at the time she died, retired, or became disabled. Under present law a mother must have currently insured status (six quarters of work out of the last 13 quarters ending with death, retirement, or disability) unless she was actually supporting the child.

Effective date: Benefits would be payable beginning with the second month after the month of enactment. It is estimated that 175,000 children would become entitled to benefits upon enactment and that $82 million in benefits would be payable in 1968.

5. COVERAGE OF MINISTERS

Under the bill the services of ministers would be covered automatically under social security unless a minister specifically states that he is conscientiously opposed to the acceptance of public insurance benefits based on his service as a minister. In this case he would have to file an application for exemption of coverage within two years after becoming a minister and having ministerial earnings or two years after the enactment of the bill. The services of members of religious orders who have taken vows of poverty would be covered or excluded on the same basis as services of ministers. Effective for taxable years ending after 1967.

Under present law ministers and members of religious orders who have not taken a vow of poverty can elect whether they want coverage under the social security system.

6. DEFINITION OF DISABILITY FOR WORKERS

H.R. 12080 would provide a more detailed definition of disability for workers than is now in the law. Guidelines would be provided under which a person could be determined to be disabled only if he is unable to engage in any kind of substantial gainful work which exists in the national economy, even though such work does not exist in the general area in which he lives.

7. INSURED STATUS FOR WORKERS DISABLED BEFORE AGE 31

Under the bill, a worker who became disabled before age 31 could qualify for disability benefits if he had worked in one-half of the quarters between the time he was age 21 and the time he became disabled, if he had a minimum of six quarters of coverage. This would be an alternative to the present requirement that the worker must have worked for a total of 5 years out of the last 10 years in covered employment.

Effective date.—Benefits would be payable for the second month after the month in which the bill is enacted.

It is estimated that about 100,000 people, disabled workers and their dependents, would become entitled to benefits upon enactment, and that $70 million in benefits would be paid in 1968.

8. WAGE CREDITS FOR SERVICEMEN

For social security benefit purposes, the earnings of a person in the uniformed services would be considered to be $100 a month more than his basic pay. The cost of paying the additional benefits under this provision would be paid from general revenues.

Effective date.—For service after 1967.
9. UNDERPAYMENTS

The bill would specify the following order of payment of cash benefits due a person who has died: (1) the surviving spouse if she was entitled to benefits on the same earnings record as the deceased beneficiary, (2) his child or children if they were entitled to benefits on the same earnings record as the deceased beneficiary, (3) his parent or parents if they were entitled to benefits on the same earnings record as the beneficiary, (4) the legal representative of the estate, (5) the surviving spouse who is not entitled to benefits on the same earnings record as the deceased beneficiary, and (6) the child or children who are not entitled to benefits on the same earnings record.

10. HUSBAND’S AND WIDOWER’S INSURANCE BENEFITS WITHOUT REQUIREMENT OF WIFE’S CURRENTLY INSURED STATUS

H.R. 12080 would repeal the requirement in present law that a dependent husband or widower may become entitled to social security benefits on his wife’s earnings only if his wife is currently insured at the time she died, became disabled, or retired.

B. HEALTH INSURANCE

1. CREATION OF ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED UNDER THE HEALTH INSURANCE PROGRAM

Provision is made for the creation of an Advisory Council to study the problems related to the coverage of the disabled under the health insurance program, including the costs of such coverage. The Council would be appointed by the Secretary of Health, Education, and Welfare, and required to make its report by January 1, 1969.

2. INCREASE IN NUMBER OF COVERED HOSPITAL DAYS

The bill provides for an increase from 90 to 120 in the number of hospital days which would be covered in one spell of illness under medicare. However, a patient would have to pay a coinsurance amount of $20 a day (initially) for each additional day above 90. This amount would be subject to adjustment after 1968 to reflect changes in hospital costs.

Effective date.—January 1, 1968.

3. METHOD OF PAYING PHYSICIANS UNDER THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Under present law there are two methods of paying for physicians’ services: by receipted bill or by assignment. H.R. 12080 would provide a third alternative: A physician could submit his itemized bill to the insurance carrier for payment. If the bill was no more than the reasonable charge for the service as determined by the carrier, then payment would be made to the physician. If the charge was higher than the reasonable charge, the payment would be made to the patient. If the physician was unwilling to submit the bill to the carrier, the physician could submit the itemized bill and receive the payment. As under present law, payment would be 80 percent of the reasonable charge after the $50 deductible had been met.

Effective date.—For payments for services furnished in or after January 1968.

4. TRANSFER OF OUTPATIENT HOSPITAL SERVICES FROM THE HOSPITAL INSURANCE PROGRAM TO SUPPLEMENTARY MEDICAL INSURANCE

The bill provides for the transfer of hospital outpatient diagnostic services from coverage under the hospital insurance program to coverage under the supplementary medical insurance program. As a result, all hospital outpatient services would become subject to the deductible ($50 a year) and coinsurance (20 percent) features of the supplementary medical insurance program.

Effective date.—January 1, 1968.
5. HOSPITAL INSURANCE BENEFITS FOR PERSONS NOT MEETING THE INSURED STATUS REQUIREMENT

H.R. 12080 provides for hospital insurance benefits for a person not eligible for cash social security benefits who attains age 65 in 1968 if he has a minimum of three quarters of covered work under social security. The number of quarters of coverage which would be required would increase by three in each year thereafter, until the fully insured status requirement is met. Under present law no benefits are payable unless such a person has a minimum of six quarters of coverage.

6. COVERAGE OF SERVICES BY PODIATRISTS

The definition of physicians would be changed to include a doctor of podiatry with respect to the services he is authorized to perform under the laws of the State. No payment would be made for routine foot care.

Effective date.—For services performed on or after January 1, 1968.

7. STUDY OF INCLUSION UNDER THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM OF SERVICES BY ADDITIONAL TYPES OF LICENSED PRACTITIONERS

The bill directs the Secretary of Health, Education, and Welfare to study the inclusion under the supplementary medical insurance program of services performed by additional kinds of licensed practitioners who are performing health services in independent practice. The Secretary would have to report his findings and recommendations before January 1, 1969.

8. ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICATION

The bill would eliminate the existing requirement that a physician certify that an inpatient requires hospitalization at the time he enters a general hospital. It would also eliminate the requirement that a physician certify the necessity of hospital outpatient services.

Effective date.—January 1, 1968.

9. PAYMENT FOR CERTAIN RADIOLOGICAL OR PATHOLOGICAL SERVICES

The bill would authorize the payment of full reasonable charges for radiological or pathological services furnished by physicians to hospital inpatients. All physician services and related services are subject to a $50 deductible and 20-percent coinsurance.

Effective date.—January 1, 1968.

10. BILLING BY HOSPITALS FOR SERVICES FURNISHED TO OUTPATIENTS

Under the bill hospitals would be permitted to collect charges from outpatients for services which do not exceed $50 (subject to final settlement in accordance with existing reimbursable cost provisions).

11. EXPERIMENTS TO STUDY METHODS OF HOSPITAL REIMBURSEMENT

The bill would authorize the Secretary to develop and engage in experiments to study alternative methods of reimbursing hospitals under the medicare, medical assistance and child health programs which would provide incentives to keep costs down while maintaining quality of care.

C. FINANCING THE SOCIAL SECURITY PROGRAM

Under the bill, there would be an increase in the tax rate, amounting ultimately to 0.5 percent of payroll. In addition, the amount of earnings taxed would be increased from $6,600 to $7,600 a year, beginning January 1, 1968. Also beginning in 1968 there would be an increase in the amount of social security taxes which are allocated to the disability insurance trust fund. The percentage of taxable earnings which would go to that trust fund would increase from the present .70 percent to .95 percent (as to the employer-employee combined rate).
As a safety measure in the first year and one-half of operation, the supplementary medical insurance trust fund was provided with a contingency fund (in the form of a repayable loan from the general fund). Under the bill this fund would be continued until 1969.

II. Public Welfare

A. Amendments Related to the Aid to Dependent Children Program and Child Welfare

1. Requirement for States to Develop Programs for AFDC Recipients

The bill would require the States to develop a program for each appropriate relative and dependent child who is receiving aid to dependent children which would assure, to the maximum extent possible, their entry or re-entry into the labor force with the goal of making them self-sufficient. The States would have to give each appropriate adult and each child over age 16 who is not in school such services as employment counseling, testing, and job training. Day care services would have to be provided for the children of mothers who are determined to be able to work or take training, as well as such other services which may be necessary to make the family self-sustaining. A dependent child's adult caretaker who refuses employment or training without good cause would be cut off the rolls, but payment to the child would be made to someone else on the child's behalf.

The bill would also require the State agencies to bring to the attention of appropriate court or law enforcement agencies all situations involving the neglect, abuse, or exploitation of children. Protective or vendor payments would have to be provided in cases where it is determined that the adult relative cannot manage funds in the child's behalf.

States would be required under the bill to develop programs aimed at preventing or reducing the incidence of illegitimate births and strengthening family life. States would have to undertake to establish the paternity of an illegitimate child receiving aid to dependent children and to secure support for him. Family planning services would have to be offered (on a voluntary basis with respect to individuals) to AFDC recipients in all appropriate cases.

These provisions would become effective October 1, 1967, and would be mandatory on all the States after July 1, 1969. Provision is made for 85-percent Federal matching until July 1, 1969, and 75 percent thereafter.

2. Community Work and Training Programs

The States would be required, effective July 1, 1969, under H.R. 12080, to have community work and training programs designed to conserve work skills and develop new skills for appropriate relatives and children receiving aid to families with dependent children. Programs would have to be in effect in all political subdivisions of a State in which there is a significant number of AFDC recipients. Assistance would not be paid for any person from whom participation in a work and training program was deemed appropriate if he refused to participate without good cause. The programs would have to conform to standards prescribed by the Secretary. Provision is made for 85-percent Federal matching for training, supervision, and materials until July 1, 1969. Matching would be 75 percent thereafter. Under present law, community work and training programs are optional with the States, and only 12 States have undertaken them. There is no provision in present law for Federal matching for the costs of training, supervision, and materials.

3. Earnings Exemptions

H.R. 12080 would require that each State provide in its program of aid to families with dependent children for an exemption of certain earnings by recipients. In determining the amount of assistance payments, States would have to disregard the first $30 of earned family income, plus one-third of earnings above that amount for each month. Earnings of children under age
16 and of those age 16 to 21 who are attending school full time would be fully exempt.

In order to qualify initially for assistance and for the earnings exemption a family would have to have an income below the State standard of need. The work exemption would not apply if a person terminated his employment or reduced his earned income without good cause, or if he refused without good cause a bona fide offer of employment.

4. DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

H.R. 12080 would provide that under State programs of aid to families with dependent children of unemployed parents, which are now in effect in 22 States, Federal matching would be available only for the children of unemployed fathers. Under present law States may include children on the basis of the unemployment of mothers, as well as fathers. The bill also provides that the Secretary will prescribe standards for the determination of what constitutes unemployment. The term is defined by the States under present law.

Under the bill, State plans would have to provide for the payment of assistance when a child's father has not been employed for at least 30 days prior to receiving aid, if he has not refused a bona fide offer of employment or training without good cause, and if he has had a recent and substantial connection with the labor force, as specified in the bill. Assistance would be denied if the father is not currently registered with the public employment office in the State, if he refuses without good cause to undertake work or training, or refuses without good cause to accept employment, or if he is receiving unemployment compensation.

The States would have to assign recipients to work and training programs within 30 days after first providing assistance.

States which are operating programs for the children of unemployed parents as provided for under present law would not have to add any additional children or families as a result of the new provisions prior to July 1, 1969, and are not required to have community work and training before that date. However, the amendment establishing criteria for persons covered would be effective October 1, 1967, and no Federal matching would be provided for persons who do not meet these criteria.

5. SERVICES FURNISHED BY PUBLIC EMPLOYMENT OFFICES OF THE STATE

The bill directs the Secretary of Health, Education, and Welfare to enter into cooperative agreements with the Secretary of Labor for the provision through the public employment offices in each State of the services specified as necessary to assure that assistance recipients are registered at such offices, are receiving testing and counseling services, and are given job referrals.

6. FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

Effective July 1, 1969, States would have to provide AFDC payments for children who are placed in foster homes, if in the 6 months before court proceedings started the children would have been eligible for AFDC payments if they had lived in the home of a relative. Federal matching would be available for grants up to an average of $100 a month per child. The provision would be optional with the States before July 1, 1969.

Under present law, children in foster care are eligible for AFDC payments only if they actually received such payments in the month they were removed from their homes by a court.

7. EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH DEPENDENT CHILDREN

The bill would provide for 50-percent Federal matching for cash payments, and 75-percent matching for services which are needed to provide emergency assistance to needy families with dependent children. The assistance would be
limited to 30 days, and no more than one 30-day period could be provided for in 1 year. Included among the items which could be covered are money payments, payments in kind, payments for medical care, and other services specified by the Secretary.

3. CHILD WELFARE SERVICES

The bill would provide for transferring the provisions for all child welfare services from title V to title IV of the Social Security Act, the title which now provides for programs of aid to families with dependent children. At present child welfare services which are for children other than AFDC recipients are provided in title V. States would be required to furnish services to all children through the organizational unit which administers the AFDC program. Federal matching would be 75 percent of the cost of child welfare services to AFDC children. The authorization for services for non-AFDC children would be increased to $100 million for fiscal year 1969 ($55 million under present law) and to $110 million for each year thereafter ($60 million under present law).

9. LIMITATION ON FEDERAL PARTICIPATION IN AFDC PROGRAMS

The bill would provide that the proportion of all children under age 21 who were receiving AFDC payments in each State in January 1967 on the basis of the absence from the home of a parent could not be exceeded after 1967. Payments for any number above this proportion would have to be made without Federal participation.

B. MEDICAL ASSISTANCE (TITLE XIX) AMENDMENTS

1. LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

The bill would provide for a limitation on the income levels which States can establish in determining eligibility for medical assistance. Federal matching would be made only if the family income level determining eligibility was not higher than (1) 133 1/3 percent of the highest amount ordinarily paid to a family without any income or resources of the same size under the AFDC program, or (2) 133 1/3 percent of the State per capita income for a family with four members (and comparable amounts for families of different sizes). The percentages would be effective July 1, 1968, except that for States which already have medical assistance programs in operation the proportion would be 150 percent from July 1, 1968, to January 1, 1969, and 140 percent from January 1, 1969, to January 1, 1970.

2. REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PROGRAMS

The bill would allow the States to provide under their medical assistance programs either those five types of benefits which are now required, or any seven of the first 14 which are specified in the law. See page 42 for list.

3. ADVISORY COUNCIL ON MEDICAL ASSISTANCE

H.R. 12080 provides for the creation of an Advisory Council on Medical Assistance to advise the Secretary on questions of administration under the title XIX program. The Council would be composed of 21 persons chosen from outside the Government.

C. OTHER PUBLIC ASSISTANCE AMENDMENTS

1. FEDERAL PAYMENTS FOR REPAIRS TO HOMES OF ASSISTANCE RECIPIENTS

Federal matching of 50 percent could be made for repair of a home owned by an assistance recipient if it is found that the repairs will assure the recipient of continued occupancy of his home, that unless repairs are made rental quarters will be necessary, and that the cost of rental quarters would exceed the cost of repairs needed to make the home habitable. Matching would be available for
expenditures up to $500. The provision would apply to expenditures made after September 30, 1967.

2. SOCIAL WORK MANPOWER AND TRAINING

The bill authorizes $5 million for the fiscal year ending June 30, 1969, and $5 million for each of the three succeeding fiscal years for grants to public or nonprofit private colleges and universities and to accredited graduate schools of social work, or an association of such schools, to meet part of the costs of development, expansion, or improvement of undergraduate programs in social work and programs for the graduate training of professional social work personnel. Not less than one-half of the amount appropriated would have to be used for grants for undergraduate programs.

D. CHILD HEALTH AMENDMENTS

1. CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V OF THE SOCIAL SECURITY ACT

The bill would consolidate the existing separate child health authorizations into one single authorization with three general categories. Beginning with 1969, 50 percent of the total authorization would be for formula grants, 40 percent for project grants, and 10 percent for research and training. By July 1972 the States would have to take over the responsibility for the project grants, and 90 percent of the total authorization would then go to the States in the form of formula grants. Total authorizations would increase from $250 million in 1969 to $350 million in 1973 and thereafter.

2. ADDITIONAL REQUIREMENTS FOR STATE CHILD HEALTH PROGRAMS

The bill would require that State plans provide for the early identification and treatment of crippled children. It would amend title XIX to reflect this requirement. States would also be required to emphasize family planning services and dental care for children in the development of demonstration projects.

3. PROJECT GRANTS

There is an authorization for project grants to (1) reduce the incidence of mental retardation and other handicapping conditions of children and reduce infant and maternal mortality, (2) promote the health of children and youth, and (3) provide dental services to children. The authorization for project grants for the dental health of children is new. After July 1972 the responsibility for these projects would be transferred to the States.

4. RESEARCH AND TRAINING

The bill would provide for training of personnel to give health care to children and mothers. Priority would be given to undergraduate training. The research authority would be amended to emphasize the study of the use of health personnel with varying levels of training in the performance of maternal and child health services.
### OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

#### I. COVERAGE

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
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<tbody>
<tr>
<td>A. Self-employed</td>
<td>Covers 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 are not covered unless received by dealers in real estate and securities in the course of business dealings. 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.</td>
<td>No change.</td>
</tr>
<tr>
<td>1. Ministers</td>
<td>Covers 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. employees 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.</td>
<td>Services of a clergyman (including members of religious orders who have taken a vow of poverty) would be automatically covered unless he elects not to be covered on the grounds that he is conscientiously opposed to social security coverage. Effective for taxable years after 1967.</td>
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<tr>
<td>B. State and local government employees</td>
<td>Covers employees of State and local governments provided the individual States enter 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.</td>
<td>Emergency services are excluded on a mandatory basis. Also services of election officials who are paid less than $50 in a calendar quarter would not be covered at the option of the State. Effective Jan. 1, 1968.</td>
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</table>
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 police 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.

Exceptions to general law concerning coverage in named States:

(1) Split-system provisions.—Authorizes Alaska, 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, one 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 1966, 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. People who are in positions under a retirement system who are not eligible to join the system due to personal disqualifications, such as those based on age or length of service, cannot be covered under the divided retirement system procedure.

C. Members of the Armed Forces

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.

Nontaxable 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).

Extends nontaxable wage credits to certain American citizens who, prior to Sept. 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.

Permits States if coverage is extended under the divided retirement system procedure to modify their agreement after 1967 to cover individuals who are not eligible to be members of the retirement system. Effective January 1, 1968.

D. Retirement payments to retired part-

Retirement payments made to retired partners are taxed and credited for social security benefit purposes like any other self-employment income even though they are not earnings for retirement test purposes if no services are performed.

Provides additional wage credits of $100 for each $100, or fraction thereof, of active duty basic pay up to $300 a quarter. Effective for service in uniformed services after Dec. 31, 1967.

Retirement payments received by a retired partner would be excluded for all purposes if the retired partner had no interest in the partnership, and rendered no services to the partnership, and if his share of the capital of the partnership had been paid to him. The payments must be made under a written plan which meets requirements set up by the Secretary of the Treasury; the plan must provide that the payments must be on a periodic basis and continue until the partner's death. Effective for taxable years ending on or after Dec. 31, 1967.
### OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

#### II. PROVISIONS RELATING TO DISABILITY

<table>
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<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
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<tr>
<td><strong>A. Nature of the provisions:</strong></td>
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<tr>
<td>1. Benefits</td>
<td>Provides monthly benefits for disabled workers meeting eligibility requirements. Benefits are computed in the same way as retirement benefits. No provision for monthly benefits for disabled widows and widowers.</td>
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<tr>
<td>2. Disability “freeze”</td>
<td>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.</td>
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<tr>
<td><strong>B. Eligibility requirements:</strong></td>
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<tr>
<td>1. Definition</td>
<td>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 exist for not less than 12 months.</td>
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<tr>
<td>2. Entitlement to other benefits</td>
<td>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.</td>
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Monthly social security benefits would be payable between ages 50 and 62 to disabled widows and widowers of covered deceased workers. If benefits are first payable at age 50, they would be 50 percent of the primary insurance amount. Higher percentages would be payable—depending on the age at which benefits begin—up to 82 1/2 percent of the primary insurance amount at age 62. The reduction would continue to apply to benefits payable after that time.

No change.

New guidelines would be provided in the law under which a person (other than a disabled widow or widower) could be determined to be disabled only if due to a physical or mental impairment (as defined) he is unable to engage in any kind of substantial gainful work which exists in the national economy even though such work does not exist in the general area in which he lives. A widow or widower would be determined to be disabled only if she or he has a physical or mental impairment that makes it impossible for them to perform any gainful work rather than substantial gainful work. Effective on enactment.

No change.
C. 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;
(3) Young workers who are blind and disabled:
May meet an 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 ending 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.

D. Disability benefits offset-------------
The social security disability benefit for any month for which a worker is receiving a periodic workmen's compensation benefit is 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.

III. DEPENDENTS BENEFITS

A. Adopted children--------------------
An adopted child includes, in addition to a child legally adopted by the worker, a child living in the worker's home at the time the worker dies who is legally adopted by the worker's spouse within 2 years after the worker's death, provided that the child was not receiving regular and substantial contributions toward his support from (a) someone other than the worker or his spouse, or (b) a public or private welfare agency which furnishes assistance or services to children.

Would include in the definition of adopted child a child who was adopted by the worker's spouse more than 2 years after the worker's death, provided that proceedings to adopt the child had been initiated before the worker died. Effective for 2d month after enactment.

B. Definitions of widow, widower and stepchildren.

The relationship of widow, widower, or stepchild must have existed for at least 1 year. This requirement does not apply to the surviving widow or widower if the couple has a child, has adopted a child or if the surviving spouse is actually or potentially entitled to benefits on the earnings record of a previous spouse.

The duration-of-relationship requirements would be reduced to 9 months. The requirement would be further reduced to 3 months in the case of a worker's death by accidental means or if death occurred while he was on active duty in one of the uniformed services unless the Secretary of HEW determines that at the time the marriage occurred the worker could not reasonably have been expected to live for 9 months. Effective for the 2d month after enactment.
### OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

#### III. DEPENDENTS BENEFITS—Continued

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<tr>
<th>Item</th>
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<th>H.R. 12080</th>
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<tr>
<td>C. Dependents benefits based on woman worker's earnings record.</td>
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A child is dependent on his father or adopting father if the child is living with the father or the father is making regular and substantial contributions to the child's support. A child is also dependent on his father or adopting father unless the child has been adopted by someone else or the child is neither the worker's legitimate nor adopted child. A child is dependent on his stepfather if he is living with the stepfather or the stepfather is providing at least 1/2 of the child's support. A child is dependent on his mother or adopting mother if she is currently insured. If she is not currently insured, the child is dependent on her only if: (A) she is contributing at least 1/4 of the child's support or (B) she is living with the child or is making regular contributions to the child's support and the child's father is neither living with the child nor making regular contributions to the child's support. Husband's and widower's benefits can be paid to a husband or widower who was receiving 1/2 of his support from his wife at the time she became disabled, retired or died provided she was currently insured at such time.

Husband's and widower's benefits can be paid to a husband or widower who was receiving 1/2 of his support from his wife at the time she became disabled, retired or died provided she was currently insured at such time.

Would provide the same dependency requirements for benefits based on the earnings of a woman worker as present law requires for benefits based on the earnings of a male worker. Effective for 2d month after enactment.

Would eliminate the requirement that the wife be currently insured. Effective for 2d month after enactment.

### IV. BENEFIT AMOUNTS

<table>
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<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Creditable earnings</td>
<td>Maximum amount of earnings that may be credited for benefit purposes is $6,600 a year.</td>
<td>Would raise maximum amount to $7,600 a year. Effective Jan. 1, 1968.</td>
</tr>
<tr>
<td>B. Benefit formula</td>
<td>The law contains a benefit table which is used to determine benefit amounts for both present and future beneficiaries. Though not stated in the law the formula is approximately 63.97 percent of the 1st. $110 of average monthly earnings, plus 22.9 percent of the next $290, plus 21.4 percent of the next $150.</td>
<td>Increases to $189 ($550 average monthly wage) and eventually to $212 ($653 average monthly wage). Effective for 2d month after enactment. The table is amended to provide a 12½ percent benefit increase and to take account of the increase in creditable earnings to $7,600 a year. The new formula is approximately 70.84 percent of the first $110 of average monthly earnings, plus 25.76 percent of the next $523. Effective for 2d month after enactment.</td>
</tr>
<tr>
<td>C. Maximum primary insurance amount</td>
<td>$188 a month ($550 average monthly wage)</td>
<td>Limits wife's benefit to no more than $105. Without this limit, the wife's benefit would eventually rise to $106.</td>
</tr>
<tr>
<td>D. Maximum limit on wife's benefit</td>
<td>No provision in present law; the wife's benefit is 1/4 of the primary insurance amount at all levels.</td>
<td>$50 a month. Effective for 2d month after enactment.</td>
</tr>
<tr>
<td>E. Minimum primary insurance amount</td>
<td>$44 a month.</td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>F.</td>
<td>Maximum family benefits are set by a table in the law and range from $66 a month to $366.</td>
<td></td>
</tr>
<tr>
<td>G.</td>
<td>No provision.</td>
<td></td>
</tr>
<tr>
<td>H.</td>
<td>Benefits are payable to the illegitimate child of a male worker if the worker acknowledges the child in writing, or has been found by a court to be the child's father, or has been ordered by a court to contribute to his child's support, or is shown by other satisfactory evidence to be the child's father. Benefits to such children are paid just as the benefits to any legitimate child.</td>
<td></td>
</tr>
<tr>
<td>I.</td>
<td>When it is necessary to use 1937–50 wages to compute a benefit the actual wages shown in the social security records are used. Unlike other wages, yearly wages for this period have not been placed on magnetic tape for electronic data processing. A manual examination of the wages is therefore necessary.</td>
<td></td>
</tr>
<tr>
<td>J.</td>
<td>Monthly benefits of $35 a month are provided for a single person and $52.50 a month for a couple in cases where the person has no work, or not enough to be insured, under social security.</td>
<td></td>
</tr>
</tbody>
</table>

Extends table to take account of rise in creditable earnings and minimum primary insurance amount. As a result the family maximum would range from $75 to $423.60 a month. Effective for 2d month after enactment.

Benefits to disabled widow's and widower's between ages 50 and 62 would be reduced by 43/198 of 1 percent for each month benefits are taken before age 60 and by 5/9 of 1 percent for each month between ages 60 and 62. Because widow's benefits, but not widower's benefits, are payable at the reduced rate between ages 60 and 62, the provision would have no effect on widow's benefits which begin at age 60 or later. Effective for 2d month after enactment.

Benefits to an illegitimate child could not exceed the difference between the total amounts payable to other persons on the worker's earnings record and the family maximum amount. Also extends provision to female worker. Effective for 2d month after enactment.

To permit electronic data processing a person would be deemed to have been paid all of the wages credited to him for the period 1937–50 in 9 years before 1961 if his total wages for the period do not exceed $27,000; if the total wages in the period exceed $27,000, the wages would be deemed to have been paid at the rate of $3,000 a year. People who require 7 or more quarters of coverage to be insured would be deemed to have 1 quarter of coverage for each $400 of wages earned in the period 1937–50. Effective on enactment for benefits due after 1966.

Benefits would be increased to $40 a month for a single person and to $60 a month for a couple. Effective for 2d month after enactment.
**K. Illustrative benefits:**

Illustrative monthly benefits payable under present law and under H.R. 12080 are shown in the following table:

<table>
<thead>
<tr>
<th>Average monthly earnings</th>
<th>Worker</th>
<th>Man and wife</th>
<th>Widow, widower, or parent, age 62</th>
<th>Widow and 2 children</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Bill</td>
<td>Present law</td>
<td>Bill</td>
</tr>
<tr>
<td>$67</td>
<td>$44.00</td>
<td>$50.00</td>
<td>$66.00</td>
<td>$75.00</td>
</tr>
<tr>
<td>150</td>
<td>78.20</td>
<td>88.00</td>
<td>117.30</td>
<td>132.00</td>
</tr>
<tr>
<td>250</td>
<td>101.70</td>
<td>114.50</td>
<td>152.60</td>
<td>171.80</td>
</tr>
<tr>
<td>350</td>
<td>112.40</td>
<td>126.50</td>
<td>168.80</td>
<td>190.80</td>
</tr>
<tr>
<td>400</td>
<td>124.20</td>
<td>139.80</td>
<td>186.30</td>
<td>209.70</td>
</tr>
<tr>
<td>550</td>
<td>135.90</td>
<td>152.90</td>
<td>203.90</td>
<td>229.40</td>
</tr>
<tr>
<td>633</td>
<td>168.00</td>
<td>189.00</td>
<td>252.00</td>
<td>283.50</td>
</tr>
</tbody>
</table>

1 For a worker who is disabled or who is age 65 or older at the time of retirement and a wife age 65 or older at the time when she comes on the rolls.
2 Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife, except that the total benefits would always equal 150 percent of the worker's primary insurance amount; it would not be limited to $317.
3 For families already on the benefit rolls 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.
4 Not applicable, since the highest possible average earnings amount is $550.

**V. RETIREMENT TEST**

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Test of earnings</td>
<td>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 $1,500 and $2,700 and $1 in benefits for each $1 of annual earnings above $2,700. Benefits not withheld for any month during which the individual neither rendered services for wages in excess of $125 nor rendered substantial services in a trade or business.</td>
<td>Increases the annual exempt amount from $1,500 to $1,680. 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 $140, instead of more than $125. Increases the uppermost limit of the $1-for-$2 &quot;band&quot; from $2,700 to $2,880, so that $1 in benefits would be withheld for each $2 of earnings between $1,680 and $2,880, with $1-for-$1 reductions above $2,880. Effective for taxable years ending after 1967.</td>
</tr>
<tr>
<td>B. Age exemption</td>
<td>Benefits are not suspended because of work or earnings if beneficiary is age 72 or over.</td>
<td>No change.</td>
</tr>
</tbody>
</table>
VI. FINANCING

A. Allocation between OASI and DI trust funds.

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. A separate tax and fund is established for the hospital insurance trust fund.

The Federal Disability Insurance Trust Fund receives an amount equal to 0.70 of 1 percent of taxable wages plus 0.525 of 1 percent of self-employment income, from which benefit and administrative expenses are paid for the disability insurance program.

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).

B. Maximum taxable amount

$6,600 a year.

TABLE 1.—Maximum tax contributions under present law and under H.R. 12080

<table>
<thead>
<tr>
<th>Period</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Proposal</td>
<td>Present law</td>
</tr>
<tr>
<td>By employee:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>$257.40</td>
<td>$257.40</td>
<td>$33.00</td>
</tr>
<tr>
<td>1968</td>
<td>$257.40</td>
<td>$296.40</td>
<td>$33.00</td>
</tr>
<tr>
<td>1969-70</td>
<td>$290.40</td>
<td>$319.20</td>
<td>$33.00</td>
</tr>
<tr>
<td>1971-72</td>
<td>$290.40</td>
<td>$349.60</td>
<td>$33.00</td>
</tr>
<tr>
<td>1973-75</td>
<td>$323.40</td>
<td>$360.00</td>
<td>$33.00</td>
</tr>
<tr>
<td>1987 and after</td>
<td>$323.40</td>
<td>$360.00</td>
<td>$52.80</td>
</tr>
<tr>
<td>By self-employed:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>$389.40</td>
<td>$389.40</td>
<td>$33.00</td>
</tr>
<tr>
<td>1968</td>
<td>$389.40</td>
<td>$448.40</td>
<td>$33.00</td>
</tr>
<tr>
<td>1969-70</td>
<td>$435.60</td>
<td>$478.80</td>
<td>$33.00</td>
</tr>
<tr>
<td>1971-72</td>
<td>$435.60</td>
<td>$524.40</td>
<td>$33.00</td>
</tr>
<tr>
<td>1973-75</td>
<td>$462.00</td>
<td>$532.00</td>
<td>$36.30</td>
</tr>
<tr>
<td>1987 and after</td>
<td>$462.00</td>
<td>$532.00</td>
<td>$52.80</td>
</tr>
</tbody>
</table>
### Table 2.—Tax rates under present law and H.R. 12080

<table>
<thead>
<tr>
<th>Period</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>H.R. 12080</td>
<td>Present law</td>
</tr>
<tr>
<td></td>
<td>Employer-employee, each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>3.9%</td>
<td>3.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>1968</td>
<td>3.9%</td>
<td>3.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>1969-70</td>
<td>4.4%</td>
<td>4.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>1971-72</td>
<td>4.85%</td>
<td>5.0%</td>
<td>0.55%</td>
</tr>
<tr>
<td>1976-79</td>
<td>4.85%</td>
<td>5.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td>1980-86</td>
<td>4.85%</td>
<td>5.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>1987 and after</td>
<td>4.85%</td>
<td>5.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Self-employed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>5.9%</td>
<td>5.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>1968</td>
<td>5.9%</td>
<td>5.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>1969-70</td>
<td>6.6%</td>
<td>6.3%</td>
<td>0.5%</td>
</tr>
<tr>
<td>1971-72</td>
<td>7.0%</td>
<td>7.0%</td>
<td>0.55%</td>
</tr>
<tr>
<td>1976-79</td>
<td>7.0%</td>
<td>7.0%</td>
<td>0.7%</td>
</tr>
<tr>
<td>1980-86</td>
<td>7.0%</td>
<td>7.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>1987 and after</td>
<td>7.0%</td>
<td>7.0%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

1 Hospital Insurance.

### Table 3.—OASDHI income and outgo, present law and H.R. 12080

[In billions]

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution Income</th>
<th>Benefit outgo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>H.R. 12080</td>
</tr>
<tr>
<td>1968</td>
<td>$29.6</td>
<td>$30.8</td>
</tr>
<tr>
<td>1969</td>
<td>33.7</td>
<td>34.9</td>
</tr>
<tr>
<td>1970</td>
<td>35.2</td>
<td>36.5</td>
</tr>
<tr>
<td>1971</td>
<td>36.2</td>
<td>40.3</td>
</tr>
<tr>
<td>1972</td>
<td>37.2</td>
<td>42.0</td>
</tr>
</tbody>
</table>
### VII. MISCELLANEOUS

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Underpayments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cash benefits</td>
<td>In the case of cash benefit 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 they is no such spouse, to the legal representative of his estate.</td>
<td>The amounts due a beneficiary at the time of death would be paid in the following order: (1) to his surviving spouse if she was entitled to monthly benefits on the same earnings record, (2) to his surviving children if they were entitled to benefits on the same earnings record, (3) to his parents if they were entitled to benefits on the same earnings record, (4) to the legal representative of his estate, (5) to the surviving spouse not entitled to benefits on the same earnings record, or (6) to his surviving children not entitled to benefits on the same earnings record. Effective on enactment.</td>
</tr>
<tr>
<td>2. Medical insurance</td>
<td>No provision for unpaid medical insurance benefits.</td>
<td>Claims for unpaid medical insurance benefits would be in the following order: (1) to the person who paid the bill, (2) to the legal representative of his estate, (3) to the surviving spouse who was living with him at the time he died, (4) to the surviving spouse if she was entitled to monthly benefits on the same earnings record, or (5) to the surviving children. Effective on enactment.</td>
</tr>
<tr>
<td>B. Payments to aliens</td>
<td>Benefits to an alien are suspended if he is outside the United States continuously for 6 consecutive calendar months. The provision does not apply to aliens who have lived in the United States for at least 10 years, or who have at least 40 quarters of coverage, or if suspension would be contrary to certain treaty obligations, or if their country has a pension system of general application that pays benefits to qualified citizens of the United States while they are outside that country. Also, the Treasury is authorized to withhold payment to beneficiaries in certain Communist-controlled countries; when the Treasury authorizes payments renewed, back payments are made to the beneficiary or his estate.</td>
<td>Once an alien has been outside the United States for 30 consecutive days he will be deemed to be outside the United States until he returns to the United States for 30 consecutive days. An alien who is a citizen of a country that has a pension system of general application which would not pay benefits to qualified citizens of the United States while they are outside of that country would not be paid benefits after he has been outside the United States for 6 months. A citizen of a country without such a system and to which the Treasury prohibition on payment applies, or has applied in the past 5 years, would not be paid benefits after he has been outside the United States for 6 months. Amounts that have been accumulated as due an alien who is living in a Communist-controlled country would be limited to 12-months benefits as of the date of enactment and would be paid only to the beneficiary or to a survivor who is entitled to benefits on the same earnings record. Amounts accumulated for months after enactment would not be paid.</td>
</tr>
<tr>
<td>C. Beneficiary reports:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Time for filing reports of earnings.</td>
<td>Under the retirement test a person whose earnings in a year were large enough to cause him to lose some or all of his benefits in a year must file a report of his earnings not later than the 15th day of the 4th month following the close of the taxable year in which he had the earnings.</td>
<td>Where a valid reason exists the Secretary may extend the period for filing the report. The extension may not be for more than 3 months.</td>
</tr>
</tbody>
</table>
### OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

#### VII. MISCELLANEOUS—Continued

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Penalty for late filing</td>
<td>For the first failure to report earnings which are large enough to cause a loss of benefits a penalty of 1 month's benefits is authorized. For failure to report work on 7 or more days in a month outside the United States or that a woman receiving mother's benefits does not have a child in her care a penalty of 1 month's benefits for the first offense is made and for the second and subsequent offenses a penalty of 1 month's benefits for each month for which benefits are to be withheld is authorized.</td>
<td>Penalty would be reduced to actual amount payable for the month but to not less than $10. The penalty for second and subsequent offenses would be reduced to 2 months' benefits for the second offense and to 3 months' benefits for the third and subsequent offense. In no event, however, would the penalty exceed the actual number of months for which benefits are withheld.</td>
</tr>
</tbody>
</table>

D. Advisory Council on Social Security: The Commissioner of Social Security is chairman and 12 other persons appointed by the Secretary are members of the Council. The Councils are to be appointed in 1968 and every 5th year thereafter. The Secretary would appoint the Chairman as well as the other 12 members of the Council. The Councils would be appointed in February 1969 and in February of every 4th year thereafter.

E. Trustees reports: The reports of the trustees of the social security trust funds are to be sent to the Congress by Mar. 1 of each year. The reports of the trustees would be sent to the Congress by Apr. 1 of each year. Also, the report of the Trustees on the OASI fund would contain a separate actuarial analysis of all disability expenditures.

F. Disclosure of information—deserting parents: Disclosure must be authorized by regulation. Under regulation disclosure of parent's or his employer's address is authorized to the agency administering the AFDC program if the child is getting AFDC. The law requires disclosure, at the request of a State or local agency participating in any State or local public assistance program, of 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. Adds provision for disclosure of address of deserting parent or his employer, on request of an appropriate court, if the information is for the use of the court in issuing a support order against the parent. (The child need not have applied for AFDC.)
### 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 H.R. 12080, based on 3.75 percent interest

<table>
<thead>
<tr>
<th>Item</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
<th>Total system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial balance of present system</td>
<td>+0.89</td>
<td>-0.15</td>
<td>+0.74</td>
</tr>
<tr>
<td>Increase in earnings base</td>
<td>+.21</td>
<td>+.02</td>
<td>+.23</td>
</tr>
<tr>
<td>Earnings test liberalization</td>
<td>-.06</td>
<td>(1)</td>
<td>-.06</td>
</tr>
<tr>
<td>Disabled widow’s benefits at age 50</td>
<td>-.03</td>
<td>(2)</td>
<td>-.03</td>
</tr>
<tr>
<td>Special disability insured status under age 31</td>
<td>(2)</td>
<td>-0.02</td>
<td>-.02</td>
</tr>
<tr>
<td>Liberalized benefits with respect to women workers</td>
<td>-.07</td>
<td>(1)</td>
<td>-.07</td>
</tr>
<tr>
<td>Benefit increase of 12½ percent</td>
<td>-.89</td>
<td>-.10</td>
<td>-.99</td>
</tr>
<tr>
<td>Revised contribution schedule</td>
<td>-.01</td>
<td>+.25</td>
<td>+.24</td>
</tr>
<tr>
<td><strong>Total effect of changes in bill</strong></td>
<td>-0.85</td>
<td>+.15</td>
<td>-0.70</td>
</tr>
<tr>
<td>Actuarial balance under bill</td>
<td>+.04</td>
<td>0.00</td>
<td>+.04</td>
</tr>
</tbody>
</table>

1 Less than 0.005 percent.
2 Not applicable to this program.

Several benefit-provision changes would have cost effects which are of a magnitude of less than 0.005 percent of taxable payroll when measured in terms of long-range level costs. Such changes involving small increases in cost are the liberalization of eligibility conditions for certain adopted children, the simplification of benefit computations based on 1937–50 wages, the reduction of the length-of-marriage requirement for survivor benefits, the liberalization of the offset provision for disability benefits when workmen’s compensation benefits are also payable, and the reduction in the penalties for failure to file timely reports of earnings and other events. Such changes involving small decreases in cost are the maximum wife’s benefit of $105 per month and the additional limitations on payment of benefits to certain aliens outside the United States.
Table 5.—Progress of old-age and survivors insurance trust fund, short-range estimate

[In millions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial interchange</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>$3,437</td>
<td>$1,565</td>
<td>$81</td>
<td>$417</td>
<td>$15,540</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>2,819</td>
<td>2,194</td>
<td>88</td>
<td>365</td>
<td>17,442</td>
<td></td>
</tr>
<tr>
<td>1953</td>
<td>3,945</td>
<td>3,006</td>
<td>88</td>
<td>414</td>
<td>18,707</td>
<td></td>
</tr>
<tr>
<td>1954</td>
<td>5,163</td>
<td>3,670</td>
<td>92</td>
<td>447</td>
<td>20,576</td>
<td></td>
</tr>
<tr>
<td>1955</td>
<td>5,713</td>
<td>4,968</td>
<td>119</td>
<td>-7</td>
<td>21,663</td>
<td></td>
</tr>
<tr>
<td>1956</td>
<td>6,172</td>
<td>5,715</td>
<td>132</td>
<td>-5</td>
<td>22,519</td>
<td></td>
</tr>
<tr>
<td>1957</td>
<td>6,825</td>
<td>7,347</td>
<td>162</td>
<td>-2</td>
<td>22,393</td>
<td></td>
</tr>
<tr>
<td>1958</td>
<td>7,766</td>
<td>8,327</td>
<td>194</td>
<td>124</td>
<td>21,846</td>
<td></td>
</tr>
<tr>
<td>1959</td>
<td>8,932</td>
<td>9,842</td>
<td>184</td>
<td>532</td>
<td>20,141</td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>10,866</td>
<td>10,677</td>
<td>203</td>
<td>516</td>
<td>20,324</td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>11,285</td>
<td>11,862</td>
<td>239</td>
<td>548</td>
<td>19,725</td>
<td></td>
</tr>
<tr>
<td>1962</td>
<td>12,059</td>
<td>13,356</td>
<td>256</td>
<td>526</td>
<td>18,337</td>
<td></td>
</tr>
<tr>
<td>1963</td>
<td>14,541</td>
<td>14,317</td>
<td>281</td>
<td>521</td>
<td>18,460</td>
<td></td>
</tr>
<tr>
<td>1964</td>
<td>15,869</td>
<td>16,737</td>
<td>328</td>
<td>593</td>
<td>18,255</td>
<td></td>
</tr>
<tr>
<td>1965</td>
<td>16,017</td>
<td>18,267</td>
<td>256</td>
<td>644</td>
<td>20,570</td>
<td></td>
</tr>
</tbody>
</table>

Estimated data (short-range estimate), H.R. 12080

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial interchange</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$23,210</td>
<td>$19,635</td>
<td>$401</td>
<td>$508</td>
<td>$794</td>
<td>$24,030</td>
</tr>
<tr>
<td>1968</td>
<td>24,256</td>
<td>23,156</td>
<td>409</td>
<td>477</td>
<td>898</td>
<td>23,142</td>
</tr>
<tr>
<td>1969</td>
<td>27,308</td>
<td>24,154</td>
<td>405</td>
<td>552</td>
<td>978</td>
<td>28,171</td>
</tr>
<tr>
<td>1970</td>
<td>28,497</td>
<td>25,119</td>
<td>415</td>
<td>616</td>
<td>1,118</td>
<td>31,782</td>
</tr>
<tr>
<td>1971</td>
<td>32,089</td>
<td>26,122</td>
<td>427</td>
<td>605</td>
<td>1,333</td>
<td>38,072</td>
</tr>
<tr>
<td>1972</td>
<td>33,469</td>
<td>27,155</td>
<td>440</td>
<td>587</td>
<td>1,685</td>
<td>45,040</td>
</tr>
</tbody>
</table>

Estimated data (short-range estimate), present law

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial interchange</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$23,210</td>
<td>$19,635</td>
<td>$393</td>
<td>$508</td>
<td>$794</td>
<td>$24,038</td>
</tr>
<tr>
<td>1968</td>
<td>24,085</td>
<td>20,247</td>
<td>378</td>
<td>477</td>
<td>960</td>
<td>27,981</td>
</tr>
<tr>
<td>1969</td>
<td>28,004</td>
<td>21,053</td>
<td>393</td>
<td>492</td>
<td>1,192</td>
<td>35,239</td>
</tr>
<tr>
<td>1970</td>
<td>29,270</td>
<td>21,901</td>
<td>404</td>
<td>483</td>
<td>1,522</td>
<td>43,243</td>
</tr>
<tr>
<td>1971</td>
<td>30,070</td>
<td>22,778</td>
<td>416</td>
<td>460</td>
<td>1,902</td>
<td>51,561</td>
</tr>
<tr>
<td>1972</td>
<td>30,884</td>
<td>23,676</td>
<td>429</td>
<td>459</td>
<td>2,315</td>
<td>60,196</td>
</tr>
</tbody>
</table>

1 A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

2 An interest rate of 3.75 percent is used in determining the level costs, under the intermediate cost long-range estimates, but in developing the progress of the trust fund a varying rate in the early years has been used.

3 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.

4 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 non-contributory credit for military service and for the special benefits payable to certain noninsured persons aged 72 or over. For the purposes of this table, it is assumed that the enactment date is in October 1967.
**Table 6.—Progress of disability insurance trust fund, short-range cost estimate**

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial interchange</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1957</td>
<td>$702</td>
<td>$55</td>
<td>$3</td>
<td></td>
<td>$7</td>
<td>$649</td>
</tr>
<tr>
<td>1958</td>
<td>966</td>
<td>249</td>
<td>12</td>
<td></td>
<td>25</td>
<td>1,379</td>
</tr>
<tr>
<td>1959</td>
<td>891</td>
<td>457</td>
<td>50</td>
<td></td>
<td>40</td>
<td>1,823</td>
</tr>
<tr>
<td>1960</td>
<td>1,100</td>
<td>568</td>
<td>36</td>
<td></td>
<td>53</td>
<td>2,289</td>
</tr>
<tr>
<td>1961</td>
<td>1,042</td>
<td>887</td>
<td>64</td>
<td></td>
<td>66</td>
<td>2,437</td>
</tr>
<tr>
<td>1962</td>
<td>1,106</td>
<td>1,105</td>
<td>66</td>
<td></td>
<td>68</td>
<td>2,425</td>
</tr>
<tr>
<td>1963</td>
<td>1,099</td>
<td>1,210</td>
<td>68</td>
<td></td>
<td>66</td>
<td>3,045</td>
</tr>
<tr>
<td>1964</td>
<td>1,154</td>
<td>1,308</td>
<td>68</td>
<td></td>
<td>64</td>
<td>2,947</td>
</tr>
<tr>
<td>1965</td>
<td>1,188</td>
<td>1,573</td>
<td>90</td>
<td></td>
<td>59</td>
<td>1,606</td>
</tr>
<tr>
<td>1966</td>
<td>2,022</td>
<td>1,784</td>
<td>137</td>
<td></td>
<td>58</td>
<td>1,739</td>
</tr>
<tr>
<td><strong>Estimated data (short-range estimate), H. R. 12080</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>$2,813</td>
<td>$1,920</td>
<td>$111</td>
<td></td>
<td>$73</td>
<td>$2,063</td>
</tr>
<tr>
<td>1968</td>
<td>3,215</td>
<td>2,357</td>
<td>128</td>
<td></td>
<td>98</td>
<td>2,570</td>
</tr>
<tr>
<td>1969</td>
<td>3,488</td>
<td>2,404</td>
<td>130</td>
<td></td>
<td>136</td>
<td>3,350</td>
</tr>
<tr>
<td>1970</td>
<td>3,667</td>
<td>2,609</td>
<td>122</td>
<td></td>
<td>181</td>
<td>4,399</td>
</tr>
<tr>
<td>1971</td>
<td>3,732</td>
<td>2,716</td>
<td>126</td>
<td></td>
<td>227</td>
<td>5,081</td>
</tr>
<tr>
<td>1972</td>
<td>3,849</td>
<td>2,820</td>
<td>132</td>
<td></td>
<td>275</td>
<td>7,123</td>
</tr>
<tr>
<td><strong>Estimated data (short-range estimate), present law</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>$2,813</td>
<td>$1,920</td>
<td>$107</td>
<td></td>
<td>$73</td>
<td>$2,067</td>
</tr>
<tr>
<td>1968</td>
<td>2,359</td>
<td>2,039</td>
<td>114</td>
<td></td>
<td>86</td>
<td>2,535</td>
</tr>
<tr>
<td>1969</td>
<td>2,436</td>
<td>2,135</td>
<td>116</td>
<td></td>
<td>96</td>
<td>2,575</td>
</tr>
<tr>
<td>1970</td>
<td>2,512</td>
<td>2,260</td>
<td>119</td>
<td></td>
<td>106</td>
<td>2,788</td>
</tr>
<tr>
<td>1971</td>
<td>2,591</td>
<td>2,357</td>
<td>123</td>
<td></td>
<td>115</td>
<td>2,985</td>
</tr>
<tr>
<td>1972</td>
<td>2,665</td>
<td>2,449</td>
<td>129</td>
<td></td>
<td>122</td>
<td>3,162</td>
</tr>
</tbody>
</table>

1 A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

2 An interest rate of 3.75 percent is used in determining the level-costs under the intermediate-cost long-range estimates but in developing the progress of the trust fund a varying rate in the early years has been used.

3 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. For the purposes of this table, it is assumed that the enactment date is in October 1967.
Table 7.—Estimated additional OASDI benefit payments in Calendar Years 1968 and 1972 under H.R. 12080

<table>
<thead>
<tr>
<th>Item</th>
<th>1968</th>
<th>1972</th>
</tr>
</thead>
<tbody>
<tr>
<td>12½-percent benefit increase</td>
<td>$2,812</td>
<td>$3,324</td>
</tr>
<tr>
<td>Benefit increase for transitional insured</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Benefit increase for transitional noninsured</td>
<td>52</td>
<td>25</td>
</tr>
<tr>
<td>Liberalized benefits with respect to women workers</td>
<td>85</td>
<td>100</td>
</tr>
<tr>
<td>Special disability insured status under age 31</td>
<td>70</td>
<td>77</td>
</tr>
<tr>
<td>Disabled widow's benefits at age 50</td>
<td>60</td>
<td>72</td>
</tr>
<tr>
<td>Earnings test liberalization</td>
<td>140</td>
<td>244</td>
</tr>
<tr>
<td>Total</td>
<td>3,226</td>
<td>3,847</td>
</tr>
</tbody>
</table>

HEALTH INSURANCE

(Title XVIII of the Social Security Act)

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Health insurance for the disabled</td>
<td>No provision</td>
<td>Would establish an Advisory Council to study the problems relative to including the disabled under medicare.</td>
</tr>
<tr>
<td>II. Covered hospital days</td>
<td>Up to 90 days in a spell of illness, with the patient paying $10 a day after the 60th day.</td>
<td>Would cover up to 120 days in a spell of illness, with the patient paying $20 a day after the 90th day. Effective January 1968.</td>
</tr>
<tr>
<td>III. Physician payment method</td>
<td>2 methods: to physician on basis of assignment (charge has to be &quot;reasonable charge&quot;), or to patient on basis of receipted bill.</td>
<td>Adds 3d alternative method: Physician could submit his itemized bill to the carrier. Payment would be made to him if the bill was not higher than &quot;reasonable charge&quot;; if higher, or if the physician directs it, the payment would go to the patient; if the physician will not submit the bill to the medicare carrier the patient would receive the payment after submitting an itemized, unpaid bill. Effective January 1968.</td>
</tr>
<tr>
<td>IV. Physician certification</td>
<td>Physician must certify to need for hospitalization and need for outpatient hospital care.</td>
<td>Would eliminate requirements for certification of need for care in a general hospital. Provisions for certifications with respect to other hospitals and for all long stay cases would be retained. Effective upon enactment.</td>
</tr>
<tr>
<td>V. Services of podiatrists</td>
<td>Not covered</td>
<td>Would amend the definition of physician to include podiatrists for functions he is licensed to practice; no payment for routine foot care would be made no matter by whom performed. Effective January 1968.</td>
</tr>
</tbody>
</table>
VI. Blood deductibles

Provides for a deductible of three pints of whole blood for each spell of illness applied to HI (hospital insurance) only.

VII. Hospital insurance for the uninsured

People ineligible for cash social security benefits attaining age 65 in 1968 need 6 quarters of coverage to be eligible for hospital insurance.

VIII. Durable medical equipment

Expenses for the rental of durable medical equipment are covered under SMI.

IX. Experimentation with reimbursement methods

No provision.

X. Physical therapy

Covered only when provided as inpatient services or through home health plan.

A unit of packed red cells would be treated as a pint of blood; the patient would have to replace the first pint of blood with 2 pints rather than 1 (4 pints for 3 pints where patient receives 3 pints). A similar deductible would apply also to SMI (supplementary medical insurance). Effective January 1968.

Would give eligibility with 3 quarters of coverage in 1968 with corresponding changes for later years as follows:

<table>
<thead>
<tr>
<th>Year attains age 65</th>
<th>Men</th>
<th></th>
<th></th>
<th></th>
<th>Men</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASI</td>
<td>HI</td>
<td>HI</td>
<td>OASI</td>
<td>HI</td>
<td>HI</td>
<td>OASI</td>
<td>HI</td>
</tr>
<tr>
<td>1967 or earlier</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>1968</td>
<td>17</td>
<td>6</td>
<td>3</td>
<td>14</td>
<td>6</td>
<td>3</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>1969</td>
<td>18</td>
<td>9</td>
<td>6</td>
<td>15</td>
<td>9</td>
<td>6</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td>1970</td>
<td>19</td>
<td>12</td>
<td>9</td>
<td>16</td>
<td>12</td>
<td>9</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>1971</td>
<td>20</td>
<td>12</td>
<td>12</td>
<td>17</td>
<td>15</td>
<td>12</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>1972</td>
<td>21</td>
<td>18</td>
<td>15</td>
<td>18</td>
<td>18</td>
<td>15</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>1973</td>
<td>22</td>
<td>21</td>
<td>18</td>
<td>19</td>
<td>19</td>
<td>18</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>1974</td>
<td>23</td>
<td>23</td>
<td>21</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>1975</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Payment could be made on a purchase or rental basis, whichever is more economical. Effective January 1968.

DHEW would have authority to experiment with alternative methods of reimbursement under medicare, medicaid, and child health programs which would provide incentives for keeping costs down while maintaining quality.

Would cover physical therapy under SMI when provided in a patient's home under the supervision of a hospital. Effective January 1968.
## HEALTH INSURANCE—Continued
*(Title XVIII of the Social Security Act)—Continued*

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>XI. Portable X-ray services</td>
<td>No provision</td>
<td><em>Diagnostic X-ray services provided in the patient's home or nursing home would be covered if provided under supervision of a physician and subject to health and safety regulations. Effective January 1968.</em></td>
</tr>
<tr>
<td>XII. Enrollment under SMI</td>
<td>Must enroll in 7-month period beginning 3 months before age 65 or wait until next open enrollment period.</td>
<td><em>Would allow an individual who is over 65, but who believes himself to be just 65 on the basis of documentary evidence, to enroll using the date of attainment of age 65 as shown on the documentary evidence. Effective for enrollments after month of enactment.</em></td>
</tr>
<tr>
<td>XIII. Counting days in TB or mental institutions against days of coverage</td>
<td>The days spent in a TB or mental institution in the period just before entitlement to hospital insurance is counted against the days of coverage an individual would otherwise have.</td>
<td><em>Would make present provision inapplicable if the patient goes into a general hospital for a condition other than TB or mental illness. Effective January 1968.</em></td>
</tr>
<tr>
<td>XIV. Study of coverage under SMI of additional types of health practitioners</td>
<td>No provision</td>
<td><em>Secretary of HEW would be required to conduct a study of the need for, and make recommendations on, the coverage of additional types of health practitioners under SMI. Report due by Jan. 1, 1969.</em></td>
</tr>
<tr>
<td>XV. Health Insurance Benefits Advisory Council (HIBAC)</td>
<td>Provides for a National Medical Review Committee (NMRC) as well as HIBAC; duties of NMRC are to study utilization of covered services, and make recommendations on administration and charges in law. (HIBAC has 16 members.)</td>
<td><em>Eliminates NMRC and gives HIBAC 19 members and the duties of NMRC.</em></td>
</tr>
<tr>
<td>XVI. Reimbursement for civil service annuitants for premium payments under SMI</td>
<td>No provision</td>
<td><em>Federal employee health benefit plans would be permitted to reimburse civil service retirement annuitants who are members of group health plans for the premium payments they make to the supplementary medical insurance program. Effective upon enactment.</em></td>
</tr>
<tr>
<td>XVII. Appropriations to SMI trust fund</td>
<td>Beneficiary premium payments are matched by general revenue funds; no specific provision as to when the funds are to be deposited in the trust fund, but legislative intent was for current deposits.</td>
<td><em>Whenever the transfer of general revenue funds to the SMI trust fund is made at the time the enrollee payment is made, the general revenues would also pay the fund interest to put the fund in the same position that it would have been if the funds were deposited timely.</em></td>
</tr>
<tr>
<td>XVIII.</td>
<td>Contingency fund for SMI trust fund.</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>------------------------------------</td>
<td></td>
</tr>
<tr>
<td>XIX.</td>
<td>Exclusion of refractive services....</td>
<td></td>
</tr>
<tr>
<td>XX.</td>
<td>SMI simplification of administration:</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>Simplified billing for outpatient hospital services.</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>Payment of full charges of inpatient physician services for radiology and pathology.</td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td>Transfer of outpatient hospital services from hospital insurance to SMI.</td>
<td></td>
</tr>
<tr>
<td>XXI.</td>
<td>Incentives for reduction of hospital costs.</td>
<td></td>
</tr>
<tr>
<td>XXII.</td>
<td>Time limit on filing SMI claims.</td>
<td></td>
</tr>
</tbody>
</table>

Contingency funds available during 1966 and 1967...

Contingency fund would be made available through 1969.

Excludes routine physical checkups, eyeglasses, or eye examinations for the purpose of prescribing, fitting or changing eyeglasses.

Excludes also refractive services performed during the course of any eye examination.

Hospitals must not bill medicare patients for covered outpatient services.

Physicians would be permitted, as an alternative to the present procedure, to collect from the patient charges for outpatient hospital services of less than $50. The payments due the hospitals from the program and patients would be adjusted at intervals to assure that the hospital received its final reimbursement on a cost basis. Effective January 1968.

All physician charges, and all other services covered under SMI, are subject to the $50 deductible and 20-percent coinsurance feature applied to the reasonable charge as determined by the carrier.

Physician services for radiological and pathological services to hospital inpatients would be reimbursed on the basis of 100 percent of the reasonable charge as determined by the carrier. Effective January 1968.

Outpatient hospital therapeutic services are covered under SMI subject to the usual $50 deductible and 20-percent coinsurance. Outpatient hospital diagnostic services are covered under pt. A subject to the following limitations; a $20 deductible is applied during each 20-day period; 80 percent of the remainder can be reimburded. The payments made toward the $20 deductible are creditable as covered expenses under SMI.

All hospital outpatient services would be covered under SMI of medicare, subject to the $50 deductible and 20-percent coinsurance just as other covered expenses. Effective January 1968.

No provision.

The Department of Health, Education, and Welfare would be given authority to experiment with alternative methods of reimbursing hospitals under medicare, medicaid, and the child health programs which would provide incentives to keep costs down while maintaining quality of care.

Claims must be filed no later than the close of the calendar year following the year (and the last 3 months of the previous year) in which the services are furnished.
Table 8.—Estimated progress of hospital insurance trust fund, intermediate-cost estimate

[In millions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Actual data</td>
<td></td>
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</tr>
<tr>
<td>1966</td>
<td>$1,911</td>
<td>$783</td>
<td>$857</td>
<td>$34</td>
<td>$1,105</td>
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<tr>
<td></td>
<td>Estimated data, H.R. 12080</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1967</td>
<td>$2,943</td>
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<td>$90</td>
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<td>6,632</td>
<td>232</td>
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<td>818</td>
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</tr>
<tr>
<td></td>
<td>Estimated data, present law</td>
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<td></td>
<td></td>
<td></td>
</tr>
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<td>380</td>
<td>818</td>
<td>22,491</td>
</tr>
</tbody>
</table>

1 Including administrative expenses incurred in 1965.
2 Fund exhausted in 1972.

Note: The transactions relating to the noninsured persons, the costs for whom is born out of the general funds of the Treasury, are not included in the above figures. The actual disbursements in 1966, and the balance in the trust fund at the end of the year, have been adjusted by an estimated $158,000,000 on this account.
Cost estimate for hospital benefits for noninsured persons paid from general funds

Hospital and related benefits are provided 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.

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

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>Present law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966 (last 6 months, estimate based on actual experience)</td>
<td>$170</td>
<td>$170</td>
</tr>
<tr>
<td>1967</td>
<td>375</td>
<td>375</td>
</tr>
<tr>
<td>1968</td>
<td>401</td>
<td>402</td>
</tr>
<tr>
<td>1969</td>
<td>407</td>
<td>409</td>
</tr>
<tr>
<td>1970</td>
<td>396</td>
<td>398</td>
</tr>
</tbody>
</table>

Actuarial cost estimates for supplementary medical insurance

H.R. 12080 has expanded somewhat the protection provided by the supplementary medical insurance program. The only changes that are significant from a cost standpoint are the transfer of the outpatient diagnostic benefits from the hospital insurance program to this program (except for the professional component thereof, which has always been included in the supplementary medical insurance program) and making the deductible and coinsurance provisions inapplicable to the professional component of pathology and radiology services furnished to inpatients in hospitals.

The increase in cost for these changes, which would be effective after December 1967, will be recognized by the Secretary of Health, Education, and Welfare in his determination of the standard premium rate for 1968–69, which in accordance with the provisions of present law will be promulgated before October 1, 1967.
## PUBLIC ASSISTANCE AMENDMENTS
### I. AID TO FAMILIES WITH DEPENDENT CHILDREN

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
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</tr>
</thead>
<tbody>
<tr>
<td>A. Family and employment services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Plan requirement</td>
<td>States are required to:</td>
<td>Adds the following additional State plan requirements:</td>
</tr>
<tr>
<td></td>
<td>(a) provide a description of services which the State agency makes available to maintain and strengthen family life for children, including a description of the steps taken to assure maximum utilization of other agencies providing similar or related services, and</td>
<td>(a) The development of a program by the State agency for each appropriate relative and child recipient and each appropriate “essential person” (individual living in the house whose needs are taken into account for determining eligibility and amount of assistance) with the objective of (1) assuring, to the maximum extent possible, that these persons will enter the labor force and become self-sufficient, and (2) reducing the incidence of illegitimacy and otherwise strengthening family life. The plan must provide that the employment potential of each such person is evaluated and that they are furnished such services as testing, counseling, basic education, vocational training, and special job development; that day-care service be provided and family planning services in all appropriate cases; and that vendor or protective payment be provided in appropriate cases in order to assure a means for caring for such children. Each such program must be reviewed at least once a year, and the Secretary of Health, Education, and Welfare must be given reports showing the results of such programs. The bill also requires that to the extent such services are provided by State or local agency staff that a single organizational unit be established in such State or local agency for furnishing such services.</td>
</tr>
<tr>
<td></td>
<td>(b) provide for a program of services for each child as may be necessary in the light of home conditions and other needs of such child, and provide for coordination with child-welfare services under pt. 3 of title V.</td>
<td>(b) Provision that where the State agency has reason to believe that the home is unsuitable for a recipient child because of neglect, abuse or exploitation that this be brought to the attention of the appropriate court or law enforcement agency.</td>
</tr>
<tr>
<td></td>
<td>No provision</td>
<td>(c) Development of a program for establishing the paternity of illegitimate children receiving assistance and for securing support for these children as well as those who have been deserted or abandoned by their parents, utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support. A single organizational unit in the State or local agency administering the plan must carry out this provision.</td>
</tr>
<tr>
<td></td>
<td>No provision</td>
<td>(d) Provision for entering into cooperative arrangements with appropriate courts and law enforcement agencies to assist in securing support for children, including entering into financial arrangements with such courts and agencies in order to obtain optimum results for the program.</td>
</tr>
</tbody>
</table>
2. Federal matching

The Federal Government shares with the States on a dollar-for-dollar basis (50 percent) in the administrative costs of carrying out the program. However, the Federal Government will pay 75 percent of the cost of—

(a) certain services, prescribed by the Secretary of Health, Education, and Welfare "to maintain and strengthen family life for children, and to help relatives specified in the act with whom children ** are living to attain to retain capability for self-support or self-care."

(b) other services provided to applicants or recipients specified by the Secretary as likely to prevent or reduce dependency;

(c) services described in (a) and (b) specified by the Secretary as appropriate for individuals who, within the periods prescribed by the Secretary, have been or are likely to become applicants for or recipients of public assistance and who request such services;

(d) training of personnel employed or preparing for employment with a State or local public assistance agency.

3. Providers of welfare services

Services are to be provided by the staff of the State welfare agency but, in the provision of these services, there must be maximum utilization of other agencies providing similar or related services. Services may also be furnished, pursuant to agreement with the State welfare agency, by a State health or vocational rehabilitation agency or by other State agencies which the Secretary deems appropriate (whether provided by its staff or by contract with nonprofit private or local public agencies). The provision of services by other agencies are subject to limitations by the Secretary and must be services which in the judgment of the State welfare agency, cannot be as economically or effectively provided by its staff and are not otherwise reasonably available to individuals in need of such services.

The Federal Government will pay 75 percent of the cost of—

(a) Services under the new plan requirements set forth above which are provided to a child or relative receiving assistance or to an "essential person."

(b) Services to a child or relative receiving assistance or applying for assistance or an "essential person"—such services may include child-welfare services, family services, and other services specified by the Secretary, to maintain and strengthen family life for children, and to help relatives and "essential persons" to attain or retain capability for self-support or self-care. Child welfare services are defined on page 43. Family services means "services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other service as will assist members of a family to attain or retain capability for the maximum self-support and personal independence."

(c) Any of the services in (a) or (b) above to children, relatives, or "essential persons" who are applicants for assistance or who, within such period as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of assistance.

(d) No change.

The Federal 75-percent matching for services within (a), (b), and (c) is contingent on the establishment of the separate organization unit in the State or local agency administering the plan which was mentioned earlier under I above.

Provides an exception to the requirement of obtaining services from public agencies for child-welfare services, family planning services, and family services, to the extent specified by the Secretary, so that they may be provided from other sources.
<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H. R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Report to Congress</td>
<td>No provision</td>
<td>The Secretary of Health, Education, and Welfare, on the basis of a review of the reports from the States, shall report his findings on the effectiveness of programs of services developed by the States. The Secretary shall annually report to the Congress (beginning July 1, 1970) on the programs developed by each State.</td>
</tr>
<tr>
<td>5. Effective date</td>
<td></td>
<td>The State plan requirements shall be effective October 1, 1967, but a State plan will not be out of compliance because of not meeting these requirements until July 1, 1969. The Federal matching for services implementing the new State plan requirement will be available on or after the modification of the State plan.</td>
</tr>
</tbody>
</table>

B. Income exemption

The State agency in determining need, upon which eligibility for and the amount of assistance is based, must take into account any other income (including expenses reasonably attributable to the earning of income) and resources of any child or relative claiming assistance.

The States, at their option, 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. The States also have the option of disregarding up to $5 of any income before disregarding child’s earned income as noted above. Finally, States have the option of permitting all or part of earned or other income to be set aside for future identifiable needs of a child.

To provide incentives to work, the bill sets out the following exemption of earnings:

All earned income of each child recipient under age 16 and age 16 to 21 if he is a full-time student attending a school, college, or university, or a course of vocational or technical training to fit him for gainful employment, is exempt.

In the case of a child over 16 not in school, a relative, or an “essential person,” the first $30 of earned income of the group in a month plus 3/4 of the remainder of such income for the month would be exempt. The optional provision for setting aside a portion of income for future identifiable needs is continued, as well as the option of the States to disregard 3/4 a month of any type of income. The provision exempting $50 a month of a child’s income is superseded by these provisions.

The earnings exemption will not be available in any month for a person who voluntarily terminated his employment or reduced his earned income within such period preceding the month assistance is applied for as may be prescribed by the Secretary (but such period must not be less than 30 days), or to persons who refused without good cause to accept employment in which they were able to engage, offered by or through the public employment office or by a private employer, which is determined to be bona fide by the State or local agency. The earnings exemption will also not be available to persons whose income in the month of application was in excess of their need as determined by the State agency, unless in any of the 4 preceding months they were receiving assistance.

Makes specific reference to “essential person” so his income and resources can be taken into account in determining the need of the child or relative claiming aid.
There are a number of income exemptions applicable to the AFDC program in other legislation. For instance, title VII of the Economic Opportunity Act provides that the first $85 a month of such income and 1/2 of the remainder must be disregarded. Sec. 109 of the Elementary and Secondary School Act of 1965 provides that, for a period of 1 year, the first $85 a month earned in any month for services under that act shall be disregarded for purposes of determining need under the AFDC program.

C. Families with unemployed fathers

For period ending June 30, 1968, Federal participation is authorized in payments to children who are deprived of parental support or care "by reason of the unemployment of a parent" as defined by a State. Program optional with the States, and 22 have such programs.

Permanent provisions of law limit Federal matching to needy dependent children under 18 (and specified relative with whom they are living) who have been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent. (Specified relatives include grandmother, grandfather, brother, sister, stepfather, stepmother, stepprether, stepsister, uncle, aunt, 1st cousin, nephew, or niece.)

Effective date: The earnings exemption must be in effect in the States by July 1, 1969, but will be optional with the States from October 1967 on.

The new provisions override any other provisions of any other law disregarding earned income.

Limits the program to children who need support on the basis of the unemployment of the father. Unemployment will be defined by Secretary of Health, Education, and Welfare. Program made permanent but still optional with the States.

Federal matching specifically authorized to meet needs of "essential persons."

Adds new plan requirement relating to when aid to dependent children assistance will be paid on the basis of an unemployed father:

Requires the payment of aid with respect to a child within such definition when his father has been unemployed for a minimum period of 30 days before receipt of aid, has not without good cause within such period refused a bona fide offer of employment or training, and has at least 6 quarters of work in a 13-calendar quarter period ending within 1 year before the application for aid or, within such 1-year period, received unemployment compensation under any State or Federal program or was "qualified for unemployment compensation."

The bill defines a "quarter of work" as a calendar quarter in which the father received at least $50 of earned income (or which is a "quarter of coverage" for purposes of the old-age, survivors, and disability insurance program under title II of the act, or in which he participated in a community work and training program.

The father shall be deemed "qualified for unemployment compensation" under the State's unemployment compensation law if he would have been eligible therefor upon application, or if he had been in uncovered work which, had it been covered, would (with his covered work) have made him eligible for such compensation upon application. The bill provides that persons who have fulfilled the requirements at any time after April 1961 (related to the date of enactment of the original unemployed parent legislation) will be considered to be eligible with respect to the quarters of work provision for up to 6 months after a State plan under these provisions becomes operative.
### PUBLIC ASSISTANCE AMENDMENTS—Continued

#### I. AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
</table>
| C. Families with unemployed fathers—Con. | The State plan must—<br>
(1) no provision; | Fathers who are now on the rolls, and who met the work requirements at any time after April 1961, would continue to be eligible if other requirements are met. |<br>(1) provide for the establishment of a work and training program and for assurances that fathers of children within the above definition are assigned to projects under such program within 30 days after receiving aid; |
| | (2) give assurance that assistance will not be granted if, and for as long as, the unemployed parent refuses, without good cause, to accept employment in which he is able to engage and which is offered through either a public employment office or by an employer if the offer is determined by the State agency to be a bona fide offer of such employment; |<br>(2) provide for denial of aid if and for as long as such a father fails to register at the public employment office, refuses without good cause to participate in a work and training program, refuses without good cause to accept employment in which he is able to engage (which is offered to him from certain sources), refuses without good cause to undergo retraining under the vocational education program. |
| | (3) provide for entering into cooperative arrangements with the system of public employment offices in the State looking toward the employment of unemployed parents, including appropriate provision for periodic registration of the unemployed parent and for the maximum utilization of the job placement and other services and facilities of such offices; and |<br>(3) provide that the services of public employment offices in the States shall be utilized to assist fathers to secure employment and occupational training, including registration and maximum use of job placement services. |
| | (4) provide for entering into cooperative arrangements with the State vocational education agency looking toward maximum utilization of its services and facilities to encourage retraining of such unemployed parent. |<br>(4) No change. |
| | (5) Any State, at its option, to provide for the denial of all (or any part) of aid under the plan to which any child or relative might be entitled for any month, if the unemployed parent receives compensation under an unemployment compensation law of a State or of the United States for any week, any part of which is included in such month. |<br>(5) Receipt of unemployment compensation bars assistance. |
| | Effective date: Oct. 1, 1967, but no State with an unemployed parent program on July 1, 1967, shall be required to include any additional recipients by reason of this amendment before July 1, 1969, and no State shall be required to deny aid because of not having a community work and training program before July 1, 1969. |
Federal matching is authorized, for the period July 1, 1961, to June 30, 1968, for payments for work performed by a relative (18 years of age or older) with whom the child is living. Twelve States make such payments. Federal participation in these payments may be made only under limited conditions designed to assure protection of the health and welfare of the children and their relatives:

1. The work must be performed for the State public assistance agency or another public agency under a program (which need not be in effect throughout the State) administered by or under the supervision of the State public assistance agency.
2. There must be State financial participation in these expenditures.
3. The State plan must include provisions which give reasonable assurance that: (a) appropriate health, safety, and other conditions of work will be maintained; (b) the rates of pay will be not less than the applicable minimum rate under State law for the same type of work, if there is any such rate, and not less than the prevailing wage rates on similar work in the community; (c) the work projects will serve a useful public purpose; will not displace regular workers or be a substitute for work that would otherwise be performed by employees of public or private agencies, institutions, or organizations; and (except in the case of emergency or nonrecurring projects) will be of a type not normally undertaken by the State or community in the past; (d) the additional expenses of going to work will be considered in determining the worker’s needs; (e) the worker will have reasonable opportunities to seek regular employment and secure appropriate training or retraining and will be provided with protection under the State workmen’s compensation law or similar protection; and (f) aid will not be denied because of a relative’s refusal with good cause to perform work under the program.

Makes such community work and training programs mandatory on the States effective with July 1, 1969. Age 18 is changed to age 16. Also includes “essential person.”

(1) Community work and training programs must be established in every political jurisdiction where a significant number of AFDC families reside.
(2) No change.
(3) No change.
(a) No change.
(b) Federal minimum wage legislation would also apply, except that payments for work by individuals who are learners or handicapped workers may be at special lesser rates that are in accord with such State and Federal laws.
(c) Removes requirement that project will not be of a type normally undertaken.
(d) No change.
(e) No change.
(f) Bill also provides that (1) all appropriate recipients of AFDC to register and periodically reregister at the State employment office, and (2) requires that if any child or relative refuses (a) to register or reregister (b) to accept bona fide offers of employment, or (c) to accept training, the adult relative, essential person or child who so refuses shall not have his needs taken into account, and in the case where the caretaker relative so refuses, his needs cannot be taken into account and the payments can be made to the children only if by a protective payment, vendor payment, or to a foster parent. (However, the usual determination that the caretaker cannot handle the funds would not have to be made.)
### PUBLIC ASSISTANCE AMENDMENTS—Continued

#### I. AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

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</thead>
</table>
| **D. Community work and training—Con.** | (4) The State plan must also include provision for—<br>   (a) cooperative arrangements with the public employment offices and with the State vocational education and adult education agency or agencies looking toward employment and occupational training of the relatives and maximum use of public vocational or adult education services and facilities in their training or retraining; | (4) Services and facilities under the MDTA and other work programs shall be utilized. <br>   (a) Provides also that the Secretary of Health, Education, and Welfare enter into cooperative arrangements with the Secretary of Labor for the provision of the services offered by State employment offices to recipients and applicants for AFDC. The expenses furnished to recipients or applicants for testing, counseling and other individual employment services would be reimbursed at the 75 percent rate (85% until July 1, 1969).  
   (b) No change. |
| | (b) assuring appropriate arrangements for the care and protection of the child during the relative's absence from the home in order to perform the work under the program; | (c) Essentially the same. |
| | (c) such other provisions as the Secretary finds necessary to assure that the operation of the program will not interfere with the objectives of the aid to dependent children program. | (5) No change. |
| | (5) A State participating in such a program must also provide (in its State plan) that there will be no adjustment or recovery by the State or any locality on account of any payments which are correctly made for the work. | Provides for Federal matching of the costs of materials, training, and supervision at the rate of 75 percent on July 1, 1969, and 85 percent from Oct. 1, 1967 to July 1, 1969 if the program meets the new conditions. |

### E. Program of Federal payments for foster care of dependent children.

#### 1. Eligibility

Allows Federal payments with respect to any child otherwise not eligible who—<br> (1) is removed, after Apr. 30, 1961, from home of specified relative as a result of a judicial determination that continuation therein would be contrary to his welfare;
(2) is placed in a foster family home (approved by the State), with payment to the child care agency permitted for the period through June 30, 1968 as a result of such determination; or (for the period through June 30, 1968) in a nonprofit private child-care institution, subject to limitations prescribed by the Secretary to include within Federal participation only cost items which are included in foster family home care. Provision is made for payments by the State or local agency for foster care in a foster family home or a child-care institution either directly or through a public or nonprofit private child-placement or child-care agency.

(3) was receiving aid to dependent children in the month when court proceedings were started, and for whose placement and care the State agency administering the program is responsible.

For the period through June 30, 1968, responsibility for the placement and care of dependent children place in foster care homes may rest either with the State or local agency administering the program under title IV or with any other public agency with whom the administering agency has an agreement. Such agreement must include provision for assuring development of a plan for each child which is satisfactory to the State public assistance agency and such other provisions as may be necessary to assure that the objectives of the State plan approved under title IV are met.

2. Federal matching for foster care...

The Federal share is 75% of the 1st $18 per recipient per month with variable grant matching on the amount up to $32 per recipient per month. Variable grant matching above first $18 has a Federal share which varies from 50 to 65 percent depending on per capita income of State.

F. Emergency assistance for certain needs.

1. Definition of assistance... No provision.

(2) Makes permanent the inclusion of child care institutions and permission for payment for care to an agency in foster family situations.

(3) Modifies provisions to cover children: (1) who were not receiving payments in the month court proceeding started but would have received such aid if they had applied for it, or (2) who had been living with one of the relatives specified in the law within 6 months of the start of the court proceedings and if in the month they were removed from home of the relative they would have been eligible for assistance if they had applied for it.

Makes provision permanent.


Emergency assistance to needy families with children is defined to mean, (1) money payments, payments in kind, or such other payments as the State agency may specify, or medical or remedial care recognized under State law on behalf of an eligible child or any other member of household in which such child is living, and (2) such services as the Secretary may specify. It may be provided where such child and his family are without available resources and the payments, care, or services involved are necessary to avoid destitution of the child or to provide suitable living arrangements in a home for such a child.
PUBLIC ASSISTANCE AMENDMENTS—Continued
I. AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>F. Emergency assistance for certain needs—Continued</td>
<td>No provision</td>
<td>Emergency assistance may be given for a period not exceeding in any 12-month period in the case of a needy child under age 21 who is (or, within a period specified by the Secretary, has been) living with any of the relatives specified in the act in a place of residence maintained by such a relative as his home. The Federal share will be 50 percent of the total expenditures under such plan for such assistance in the form of payments for items, services, and medical care and 75 percent of the total expenditures for such assistance in the form of welfare services. Effective upon enactment.</td>
</tr>
<tr>
<td>2. Duration of assistance</td>
<td>No provision</td>
<td>Deletes 5-percent limitation on number of recipients who can be under this method of payment. Adds authority for vendor payments under same conditions for protective payments as outlined below. (Vendor payments are made on behalf of family or child directly to a person furnishing food, living accommodations, or other goods, services, or items to or for such family.)</td>
</tr>
<tr>
<td>3. Federal matching</td>
<td>No provision</td>
<td>(1) In the case of an individual who refuses to take the steps leading to employment, noted earlier under the community work and training, vendor or protective payments can be provided without meeting the requirements.</td>
</tr>
<tr>
<td>G. Protective and vendor payments and other State action to protect interests of AFDC children</td>
<td>Authorizes protective payments to be made, in a limited number of cases (limited in number to 5 percent of recipients), to a person who is interested in or concerned with the welfare of the dependent child and relative, under a State plan which provides for—</td>
<td>(2) Deletes requirement of meeting full need.</td>
</tr>
<tr>
<td>(1) determination by the State agency that payments in this form are necessary because the relative is so unable to manage funds that it would be contrary to the child's welfare to make payments to such relative;</td>
<td></td>
<td>(3) No change.</td>
</tr>
<tr>
<td>(2) meeting all the need of individuals (in conjunction with other income and resources), with respect to whom they are made, under rules otherwise applicable under the State plan for determining need and the amount of assistance to be paid;</td>
<td></td>
<td>(4) No change.</td>
</tr>
<tr>
<td>(3) special efforts to improve the ability of the relative to manage funds, and periodical review of the situation to determine whether such payments to another interested person are still necessary—and with provision for judicial appointment of a guardian or legal representative if the need for payments to another interested person continues beyond a period specified by the Secretary;</td>
<td></td>
<td>(5) No change.</td>
</tr>
<tr>
<td>(4) opportunity for a fair hearing before the State agency on the determination that payments to another interested person on behalf of the child and relative are necessary; and</td>
<td></td>
<td>Provision made permanent.</td>
</tr>
<tr>
<td>(5) aid in the form of foster family care, as provided for in the Social Security Act. Effective until ending June 30, 1968.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
H Limitation on number of children with respect to which the Federal Government will make matching payments.

<table>
<thead>
<tr>
<th>II. OTHER PUBLIC ASSISTANCE AMENDMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Partial payments to States</strong></td>
</tr>
<tr>
<td><strong>B. Private grantees under demonstration projects.</strong></td>
</tr>
<tr>
<td><strong>C. Social work manpower</strong></td>
</tr>
</tbody>
</table>

Authorizes the State agency to take the following steps, without losing Federal matching funds, whenever it has reason to believe that payments to a relative for the benefit of a child are not being or may not be used in the best interests of the child.

1. To provide the relative with counseling and guidance concerning the use of payments and management of other funds to assure their use in the best interests of the child;
2. To advise the relative that continued misuse of payments will result in substitution of protective payments (described above), or in seeking appointment of a guardian or legal representative; or
Moreover, the imposition of criminal or civil penalties, under State law, upon determination by a court of competent jurisdiction that the relative is not using, or has not used, payments for the benefit of the child shall not be the basis for withholding of Federal matching funds.

There is no limit as to Federal participation in expenditures other than the $32 a month average maximum for all recipients of AFDC.

Provides that, for the purposes of Federal matching, the number of dependent children, deprived of parental support or care by reason of a parent's continued absence from the home, for any calendar quarter after 1967 shall not exceed the number bearing the same ratio to the total population of such State under age 21 on Jan. 1 of the year in which such quarter falls as the number of such dependent children with respect to whom such payments were made to such State for the calendar quarter beginning Jan. 1, 1967, bore to the total population of such State under age 21 on that date. No limit is imposed on Federal matching for children qualifying for AFDC based upon the death, incapacity, or unemployment of the parent.

Provides that Federal funds may be withheld for only that part of the plan which is not being complied with.

Would allow contracts to be with private profit agencies.

Authorizes $5,000,000 for fiscal year 1969 and the 3 following years to meet the cost of expanding educational programs in social work. At least ½ of the funds appropriated each year must be used to support undergraduate training.
<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Home repairs.</td>
<td>No provision.</td>
<td>Provides that States may, under all federally financed assistance except AFDC, make payments for home repair or capital improvements for an owned home up to a total of $500 with 50 percent Federal matching. To do so would be more economical than paying rent in other quarters.</td>
</tr>
<tr>
<td>E. Demonstration projects.</td>
<td>Authorizes $2,000,000 for fiscal year before 1969 for demonstration projects to support the objectives of the public assistance titles.</td>
<td>Sets authorization at $4,000,000 effective with fiscal year 1968 and for years thereafter. Also provides that the Secretary or Under Secretary of Health, Education, and Welfare must personally approve projects which are wholly funded through the Social Security Act and promptly notify the Congress about each of them.</td>
</tr>
<tr>
<td>F. Partial payments to States.</td>
<td>Provides that if a State fails to comply with its State plan under any of the titles of the Social Security Act, the penalty, after hearing, is suspension of Federal funds for entire title.</td>
<td>Provides that Federal funds may be withheld for only that part of the plan which is not being complied with.</td>
</tr>
<tr>
<td>G. Puerto Rico, Guam, and the Virgin Islands.</td>
<td>Imposes dollar limitation of $9,500,000 each year in Federal funds for matching cash public assistance payments. Figure for Virgin Islands is $330,000 and for Guam is $450,000.</td>
<td>Establishes new dollar limits as follows:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fiscal year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1969</td>
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<td></td>
<td></td>
<td>1970</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1971</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1972 and thereafter</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In addition to these amounts, the Secretary is authorized to certify additional payments to be used for services related to community work and training and for family planning services in the following amounts: Puerto Rico: $2,000,000 Virgin Islands: 65,000 Guam: 90,000 Federal matching percentage would be 60 percent rather than 75 percent as for the States. The Department of Health, Education, and Welfare would be given authority to experiment with alternative methods of reimbursing hospitals under medicare, medicaid, and the child health programs which would provide incentives to keep costs down while maintaining quality of care.</td>
</tr>
<tr>
<td>H. Incentives for reduction of hospital costs.</td>
<td>No provision.</td>
<td></td>
</tr>
</tbody>
</table>
I. Limitation on Federal participation in medical assistance.

A. The States

No limitation on the levels of income which a State can set for determining eligibility. Federal matching ranges from 50 percent to 83 percent depending upon per capita income of State.

B. Puerto Rico, Guam, and the Virgin Islands

Federal matching set at 55 percent.

II. Maintenance of State effort

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 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.

III. Coordination of medical assistance and part B of medicare.

States have until Jan. 1, 1968, to buy in title XVIII medical insurance for persons eligible for medicaid. States can buy in only for those who are receiving cash assistance.

IV. Comparability provisions

States must make the same benefits available to all those eligible under the plan.
<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>V. Required services</td>
<td>States must, by July 1, 1967, include coverage of inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services and physician's services.</td>
<td>States could, as an alternative to the present provision, provide any 7 of 14 services. The 14 services include the 5 under present law and the following 9 types of services: medical care, or any other type of remedial care recognized under State law; furnished by a licensed practitioner within the scope of his practice as defined by State law; home health care services; private duty nursing services; clinic services; dental services; physical therapy and related services; prescribed drugs, dentures and prosthetic devices, and eyeglasses; other diagnostic, screening, preventive, and rehabilitative services; and inpatient hospital services, and skilled nursing home services, for individuals over age 65 in an institution for mental diseases.</td>
</tr>
<tr>
<td>VI. Federal participation in administrative expenses</td>
<td>Federal financial participation at the 75-percent rate is available to meet the costs attributable to the compensation and training of professional medical personnel employed by the single State agency administering the plan.</td>
<td>Federal matching at the 75-percent rate would also be made available for the costs attributable to such personnel working on the program but located in another agency, the health agency, for example.</td>
</tr>
<tr>
<td>VII. Advisory Council on Medical Assistance</td>
<td>No provision</td>
<td>Requires Secretary of HEW to appoint an Advisory Council on Medical Assistance to advise the Secretary on administration of the medicaid program. The Council would consist of 21 members with one of the members acting, upon appointment of the Secretary, as Chairman. The members are to include representatives of State and local agencies and nongovernmental groups concerned with health, and consumers of health services, with a majority to consist of consumer representatives. Members are to hold office for 4 years with the 1st offices staggered.</td>
</tr>
<tr>
<td>VIII. Free choice of medical services</td>
<td>No provision</td>
<td>Individual eligible for medical assistance is to have free choice of qualified providers of services. The provision would be effective July 1, 1969, except it would be July 1, 1972, for Puerto Rico, Guam, and the Virgin Islands.</td>
</tr>
<tr>
<td>IX. Consultative services for providers of services</td>
<td>Title XVIII provides that payments can be made to State health agencies for furnishing consultative services to providers of services in order for the providers to meet the participation requirements. Independent laboratories are not included in this provision.</td>
<td>Would repeal the present provisions effective July 1, 1969, and effective that date provide in the medicaid program that the States must provide such consultative services to all types of medical agencies for purposes of qualifying for participation under title XVIII, XIX, and the child health programs under title V.</td>
</tr>
<tr>
<td>X. Payment for services by a third party.</td>
<td>No provision.</td>
<td></td>
</tr>
<tr>
<td>XI. Payment of physician bills.</td>
<td>All services must be paid directly to the person or organization furnishing the services.</td>
<td></td>
</tr>
<tr>
<td>XII. Date on which the States must meet certain requirements as to source of funds.</td>
<td>States have until July 1, 1970, either to finance the State share wholly from State funds or to establish a tax equalization plan which accomplishes the same purposes.</td>
<td></td>
</tr>
</tbody>
</table>

### CHILD WELFARE SERVICES

| I. Inclusion of child welfare services in title IV. | Authorizes under pt. 3 of title V of the Social Security Act, $55,000,000 for fiscal year 1968, $55,000,000 for fiscal year 1969, and $60,000,000 for fiscal year 1970 and later years for formula grants to the States to support the provision of child welfare services. Also authorizes such sums as Congress may appropriate to support research, training, and demonstration projects in the child welfare field. "Child welfare services" are defined as public social services which supplement, or substitute for, parental care and supervision for the purpose of solving problems which may result in the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster family homes or day-care or other child-care facilities. |
| | Moves provisions to new pt. B of title IV of the Social Security Act and authorizes $100,000,000 for fiscal year 1969, and $110,000,000 for fiscal year 1970 and later years for formula grants to the States. Modifies research, training, and demonstration projects provisions to make possible dissemination of research and demonstration findings into program activity through multiple demonstrations on a regional basis and to encourage State and local agencies administering public child welfare services programs to develop and staff new and innovative services and to provide contract authority to make it possible to direct research into neglected and vital areas. |
## CHILD HEALTH

<table>
<thead>
<tr>
<th>Item</th>
<th>Existing law</th>
<th>H.R. 12080</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Consolidation of separate programs....</td>
<td>Provides 2 formula grant programs, 1 for maternal and child health services and another for crippled children's services. Funds authorized at $55,000,000 for fiscal year 1968 and $60,000,000 for fiscal year 1969 and later years. Each program is allocated to the States based, in part, on the proportionate share of live births of each State in the case of maternal and child health services, and the proportionate share of numbers of crippled children in the case of the crippled children's program. Also authorizes $10,000,000 for fiscal year 1968 and $17,500,000 for each later year for grants by the Secretary for training of personnel for health and care of crippled children (particularly mentally retarded children and children with multiple handicaps). Authorizes $30,000,000 for 1968 for special project grants for maternity and infant care. Authorizes $40,000,000 for fiscal year 1968, $45,000,000 for fiscal year 1969, and $50,000,000 for fiscal year 1970, for grants to State and local health agencies to promote health of school and preschool children. Authorizes not more than $8,000,000 each year for research projects in the field of maternal and child health and crippled children's services.</td>
<td>Present provisions are repealed. Provides new title V of the act (without child welfare provisions, which are moved to title IV under another provision, discussed above). New title provides for the following: Authorizes $250,000,000 for fiscal year 1969, $275,000,000 for fiscal year 1970, $300,000,000 for fiscal year 1971, $325,000,000 for fiscal year 1972 and $350,000,000 for fiscal year 1973 and later years. 50 percent of the appropriation for fiscal years 1969 through 1972 shall be for allotments to the States for maternal and child health and crippled children's services. 40 percent shall be grants for special project grants for maternity and infant care, special project grants for health of school and preschool children, and special project grants for dental health of children. 10 percent for each such year shall be for grants for training of personnel for health and care of crippled children and special project grants for research projects related to maternal and child health services and crippled children's services. 4 of 1 percent of the total appropriation can be used by the Secretary for evaluation (directly or through contracts or grants) of the programs. Effective with fiscal year 1973 and for later years 90 percent of the appropriation shall be for grants and contracts for training of personnel and research in the fields of maternal and child health services and crippled children's services. Secretary is authorized to transfer up to 5 percent of the appropriation for any year from one purpose to another purpose or purposes.</td>
</tr>
</tbody>
</table>
TABLE 9.—Summary of general fund costs in H.R. 12080

[Dollars in millions]

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>$33</td>
<td>$72.0</td>
<td>$106.0</td>
<td>$152.0</td>
<td>$146.0</td>
</tr>
<tr>
<td>Public welfare</td>
<td>-78</td>
<td>-262.2</td>
<td>-414.0</td>
<td>-608.8</td>
<td>-704.5</td>
</tr>
<tr>
<td>Child health</td>
<td>5</td>
<td>39.5</td>
<td>49.5</td>
<td>74.5</td>
<td>99.5</td>
</tr>
<tr>
<td>Net savings in bill</td>
<td>-40</td>
<td>-154.7</td>
<td>-258.5</td>
<td>-382.3</td>
<td>-459.0</td>
</tr>
</tbody>
</table>

TABLE 10.—Social security general fund costs in H.R. 12080

[Dollars in millions]

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Special payments to certain persons 72 and over</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military service wage credits before 1957</td>
<td></td>
<td></td>
<td>$29</td>
<td>$52</td>
<td>$41</td>
</tr>
<tr>
<td>Additional wage credits for military service after 1967</td>
<td></td>
<td></td>
<td>$1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Modification of supplementary medical insurance benefits</td>
<td></td>
<td></td>
<td>33</td>
<td>70</td>
<td>73</td>
</tr>
<tr>
<td>Modification of transitionally insured status for hospital insurance</td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total, social security</td>
<td>33</td>
<td>72</td>
<td>106</td>
<td>152</td>
<td>146</td>
</tr>
</tbody>
</table>
### Table 11. Summary of public welfare costs in H.R. 12080

[Dollars in millions]

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public welfare costs if there is no change in present law</td>
<td>4,555</td>
<td>5,223.0</td>
<td>5,721</td>
<td>6,241.0</td>
<td>6,791.0</td>
</tr>
<tr>
<td>Increases in bill</td>
<td>25</td>
<td>259.8</td>
<td>488</td>
<td>709.2</td>
<td>1,069.5</td>
</tr>
<tr>
<td>Decreases in bill</td>
<td>-103</td>
<td>-526.0</td>
<td>-902</td>
<td>-1,318.0</td>
<td>-1,774.0</td>
</tr>
<tr>
<td>Net savings in bill</td>
<td>-78</td>
<td>-266.2</td>
<td>-414</td>
<td>-608.8</td>
<td>-704.5</td>
</tr>
<tr>
<td>Public welfare costs as amended by bill</td>
<td>4,477</td>
<td>4,956.8</td>
<td>5,307</td>
<td>5,632.2</td>
<td>6,086.5</td>
</tr>
</tbody>
</table>

### Table 12. Child health costs in H.R. 12080

[Dollars in millions]

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula grants</td>
<td>$110</td>
<td>$125.0</td>
<td>$137.5</td>
<td>$150.0</td>
<td>$162.5</td>
</tr>
<tr>
<td>Project grants</td>
<td>75</td>
<td>100.0</td>
<td>110.0</td>
<td>120.0</td>
<td>130.0</td>
</tr>
<tr>
<td>Research and training</td>
<td>18</td>
<td>25.0</td>
<td>27.5</td>
<td>30.0</td>
<td>32.5</td>
</tr>
<tr>
<td>Subtotal, authorizations in bill</td>
<td>203</td>
<td>250.0</td>
<td>275.0</td>
<td>300.0</td>
<td>325.0</td>
</tr>
<tr>
<td>Authorizations in present law</td>
<td>198</td>
<td>210.5</td>
<td>225.5</td>
<td>225.5</td>
<td>225.5</td>
</tr>
<tr>
<td>Increase in bill</td>
<td>5</td>
<td>39.5</td>
<td>49.5</td>
<td>74.5</td>
<td>99.5</td>
</tr>
</tbody>
</table>

1 $183,100,000 in 1968 budget.
### Table 13.—Detail of public welfare costs in H.R. 12080

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Public assistance:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFDC costs if there is no change in present law</td>
<td>$1,462</td>
<td>$1,555.0</td>
<td>$1,471.0</td>
<td>$1,837.0</td>
<td></td>
</tr>
<tr>
<td>Title XIX costs if there is no change in present law</td>
<td>1,391</td>
<td>1,913.0</td>
<td>2,239</td>
<td>2,690.0</td>
<td>3,118.0</td>
</tr>
<tr>
<td>All other public assistance costs if there is no change in present law</td>
<td>1,047</td>
<td>1,700.0</td>
<td>1,725</td>
<td>1,750.0</td>
<td>1,776.0</td>
</tr>
<tr>
<td><strong>Subtotal, present law</strong></td>
<td>4,500</td>
<td>5,168.0</td>
<td>5,661</td>
<td>6,181.0</td>
<td>6,731.0</td>
</tr>
<tr>
<td><strong>Increases in the bill:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Day care</td>
<td>(5) 75.0</td>
<td>155</td>
<td>250.0</td>
<td>470.0</td>
<td></td>
</tr>
<tr>
<td>Other social services</td>
<td>(5) 35.0</td>
<td>70</td>
<td>100.0</td>
<td>125.0</td>
<td></td>
</tr>
<tr>
<td>Earnings exemptions</td>
<td>(5) 20.0</td>
<td>25</td>
<td>30.0</td>
<td>35.0</td>
<td></td>
</tr>
<tr>
<td>Work-training</td>
<td>(5) 45.0</td>
<td>90</td>
<td>135.0</td>
<td>225.0</td>
<td></td>
</tr>
<tr>
<td>Foster care under AFDC</td>
<td>(5) 10.0</td>
<td>20</td>
<td>33.0</td>
<td>40.0</td>
<td></td>
</tr>
<tr>
<td>Emergency assistance</td>
<td>(5) 10.0</td>
<td>20</td>
<td>35.0</td>
<td>35.0</td>
<td></td>
</tr>
<tr>
<td>Puerto Rico, et al.</td>
<td>(5) 7.8</td>
<td>11</td>
<td>14.2</td>
<td>17.5</td>
<td></td>
</tr>
<tr>
<td>Demonstration projects</td>
<td>(5) 2.0</td>
<td>2</td>
<td>2.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Additional child health require­ments in title XIX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal, increases</strong></td>
<td>425</td>
<td>204.8</td>
<td>423</td>
<td>639.2</td>
<td>999.5</td>
</tr>
<tr>
<td><strong>Decreases in the bill:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFDC limitations</td>
<td>−18</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFDC reductions for persons trained</td>
<td></td>
<td>−10</td>
<td>−55.0</td>
<td>−130.0</td>
<td></td>
</tr>
<tr>
<td>Restrictions on Title XIX</td>
<td>−336.0</td>
<td>−92</td>
<td>−1,068.0</td>
<td>−1,434.0</td>
<td></td>
</tr>
<tr>
<td>Decrease in public assistance due to social security benefit increase</td>
<td>−85</td>
<td>−190.0</td>
<td>−200</td>
<td>−205.0</td>
<td>−210.0</td>
</tr>
<tr>
<td><strong>Subtotal, decreases</strong></td>
<td>−103</td>
<td>−526.0</td>
<td>−902</td>
<td>−1,318.0</td>
<td>−1,774.0</td>
</tr>
<tr>
<td><strong>Net savings due to public assistance amendments</strong></td>
<td>−78</td>
<td>−321.2</td>
<td>−479</td>
<td>−678.8</td>
<td>−774.5</td>
</tr>
<tr>
<td><strong>Total, public assistance as amended by bill</strong></td>
<td>4,422</td>
<td>4,846.8</td>
<td>5,182</td>
<td>5,502.2</td>
<td>5,956.5</td>
</tr>
<tr>
<td><strong>Child Welfare:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present law</td>
<td>55</td>
<td>55.0</td>
<td>60</td>
<td>60.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Increase for child welfare services</td>
<td>45.0</td>
<td>50</td>
<td>50.0</td>
<td>50.0</td>
<td></td>
</tr>
<tr>
<td>Increases for child welfare re­search</td>
<td>5.0</td>
<td>15.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal, increases</strong></td>
<td>50.0</td>
<td>60</td>
<td>65.0</td>
<td>65.0</td>
<td></td>
</tr>
<tr>
<td><strong>Social work manpower</strong></td>
<td>5.0</td>
<td>5</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net public welfare savings in bill</strong></td>
<td>−78</td>
<td>−266.2</td>
<td>−414</td>
<td>−608.8</td>
<td>−704.5</td>
</tr>
</tbody>
</table>

1 Assumes annual increase in the rolls of about 200,000, based on the experience of the past several years; allows increase of $1 each year in the average monthly payment per recipient, in line with recent experience.

2 Includes all medical vendor payments; assumes 5 percent annual increase in unit costs after 1968, assumes implementation in all jurisdictions by fiscal 1969.

3 Assumes continued decline in number of old-age assistance and aid to the blind recipients, and continued increase in aid to the permanently and totally disabled, based on experience; allows increases for average payments.

4 1968 cost undistributed.

5 Assumes that social security benefit increases will fully reduce public assistance payments.

6 $46,000,000 in 1968 budget.

Note.—Costs are based on 1968 prices except as noted in the assumptions.
**Table 14.—Title XIX: Comparison of amount of protected income at proposed level (based on 133.3 percent of AFDC assistance standard) with amount specified in currently approved State plans**

**STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT INCLUDES THE "MEDICALLY NEEDY"**

<table>
<thead>
<tr>
<th>State</th>
<th>Proposed amount 1 person</th>
<th>Difference from present 1 person</th>
<th>Proposed amount 2 persons</th>
<th>Difference from present 2 persons</th>
<th>Proposed amount 3 persons</th>
<th>Difference from present 3 persons</th>
<th>Proposed amount 4 persons</th>
<th>Difference from present 4 persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$1,600</td>
<td>-$514</td>
<td>$2,200</td>
<td>-$1,124</td>
<td>$2,600</td>
<td>-$964</td>
<td>$3,100</td>
<td>-$704</td>
</tr>
<tr>
<td>Connecticut</td>
<td>1,900</td>
<td>-$200</td>
<td>2,600</td>
<td>-$600</td>
<td>3,200</td>
<td>-$300</td>
<td>3,800</td>
<td>-$600</td>
</tr>
<tr>
<td>Delaware</td>
<td>1,500</td>
<td>0</td>
<td>2,100</td>
<td>0</td>
<td>2,800</td>
<td>-$100</td>
<td>3,000</td>
<td>-$300</td>
</tr>
<tr>
<td>Hawaii</td>
<td>1,800</td>
<td>+360</td>
<td>2,500</td>
<td>+340</td>
<td>3,200</td>
<td>+480</td>
<td>3,800</td>
<td>+600</td>
</tr>
<tr>
<td>Illinois</td>
<td>1,400</td>
<td>-400</td>
<td>1,900</td>
<td>-500</td>
<td>2,400</td>
<td>-600</td>
<td>2,800</td>
<td>-800</td>
</tr>
<tr>
<td>Iowa</td>
<td>1,200</td>
<td>-400</td>
<td>1,700</td>
<td>-700</td>
<td>2,300</td>
<td>-$1,000</td>
<td>2,900</td>
<td>-1,200</td>
</tr>
<tr>
<td>Kansas</td>
<td>1,900</td>
<td>+300</td>
<td>2,600</td>
<td>+500</td>
<td>3,200</td>
<td>+600</td>
<td>3,800</td>
<td>+800</td>
</tr>
<tr>
<td>Kentucky</td>
<td>1,400</td>
<td>-220</td>
<td>1,900</td>
<td>-320</td>
<td>2,400</td>
<td>-520</td>
<td>2,700</td>
<td>-720</td>
</tr>
<tr>
<td>Maryland</td>
<td>1,400</td>
<td>-400</td>
<td>1,900</td>
<td>-380</td>
<td>2,400</td>
<td>-400</td>
<td>2,700</td>
<td>-420</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>2,200</td>
<td>+40</td>
<td>3,000</td>
<td>+188</td>
<td>3,700</td>
<td>+196</td>
<td>4,300</td>
<td>+124</td>
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<tr>
<td>Michigan</td>
<td>1,500</td>
<td>-400</td>
<td>2,100</td>
<td>-600</td>
<td>2,600</td>
<td>-520</td>
<td>2,700</td>
<td>-720</td>
</tr>
<tr>
<td>Minnesota</td>
<td>1,800</td>
<td>+180</td>
<td>2,500</td>
<td>+280</td>
<td>3,000</td>
<td>+372</td>
<td>3,500</td>
<td>+464</td>
</tr>
<tr>
<td>Nebraska</td>
<td>1,000</td>
<td>-600</td>
<td>1,300</td>
<td>-900</td>
<td>1,600</td>
<td>-1,000</td>
<td>1,900</td>
<td>-1,100</td>
</tr>
<tr>
<td>New York</td>
<td>2,000</td>
<td>-900</td>
<td>2,700</td>
<td>-1,300</td>
<td>3,300</td>
<td>-1,900</td>
<td>3,900</td>
<td>-2,100</td>
</tr>
<tr>
<td>North Dakota 1</td>
<td>1,600</td>
<td>0</td>
<td>2,300</td>
<td>+100</td>
<td>2,800</td>
<td>+200</td>
<td>3,200</td>
<td>+200</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>1,400</td>
<td>-328</td>
<td>1,900</td>
<td>-68</td>
<td>2,300</td>
<td>+92</td>
<td>2,700</td>
<td>+232</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>1,600</td>
<td>-400</td>
<td>2,300</td>
<td>-200</td>
<td>2,700</td>
<td>-550</td>
<td>3,200</td>
<td>-800</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>1,500</td>
<td>-1,000</td>
<td>2,100</td>
<td>-1,400</td>
<td>2,500</td>
<td>-1,400</td>
<td>2,900</td>
<td>-1,400</td>
</tr>
<tr>
<td>Utah</td>
<td>1,500</td>
<td>+300</td>
<td>2,100</td>
<td>+420</td>
<td>2,600</td>
<td>+440</td>
<td>3,000</td>
<td>+360</td>
</tr>
<tr>
<td>Washington</td>
<td>1,700</td>
<td>+20</td>
<td>2,400</td>
<td>+120</td>
<td>2,900</td>
<td>+260</td>
<td>3,400</td>
<td>+400</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>1,800</td>
<td>0</td>
<td>2,600</td>
<td>-100</td>
<td>3,100</td>
<td>-100</td>
<td>3,600</td>
<td>-100</td>
</tr>
</tbody>
</table>
### States Currently Operating Medical Assistance Programs Under Title XIX That Do Not Include the "Medically Needy"

<table>
<thead>
<tr>
<th>State</th>
<th>133.3% of Per Capita Income</th>
<th>150% of Per Capita Income</th>
<th>166.6% of Per Capita Income</th>
<th>183.3% of Per Capita Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idaho</td>
<td>$1,700</td>
<td>$2,300</td>
<td>$2,800</td>
<td>$3,300</td>
</tr>
<tr>
<td>Louisiana</td>
<td>$1,000</td>
<td>$1,300</td>
<td>$1,600</td>
<td>$1,900</td>
</tr>
<tr>
<td>Maine</td>
<td>$1,100</td>
<td>$1,600</td>
<td>$1,900</td>
<td>$2,200</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$1,500</td>
<td>$2,100</td>
<td>$2,500</td>
<td>$2,900</td>
</tr>
<tr>
<td>Ohio</td>
<td>$2,000</td>
<td>$2,500</td>
<td>$2,800</td>
<td>$3,300</td>
</tr>
<tr>
<td>Vermont</td>
<td>$2,200</td>
<td>$2,800</td>
<td>$3,300</td>
<td>$3,800</td>
</tr>
<tr>
<td>West Virginia</td>
<td>$1,400</td>
<td>$1,900</td>
<td>$2,300</td>
<td>$2,700</td>
</tr>
</tbody>
</table>

### States Not Currently Operating Medical Assistance Programs Under Title XIX

<table>
<thead>
<tr>
<th>State</th>
<th>133.3% of Per Capita Income</th>
<th>150% of Per Capita Income</th>
<th>166.6% of Per Capita Income</th>
<th>183.3% of Per Capita Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>$500</td>
<td>$700</td>
<td>$800</td>
<td>$1,000</td>
</tr>
<tr>
<td>Alaska</td>
<td>$900</td>
<td>$1,300</td>
<td>$1,500</td>
<td>$1,800</td>
</tr>
<tr>
<td>Arizona</td>
<td>$900</td>
<td>$1,200</td>
<td>$1,500</td>
<td>$1,800</td>
</tr>
<tr>
<td>Arkansas</td>
<td>$900</td>
<td>$1,500</td>
<td>$1,800</td>
<td>$2,100</td>
</tr>
<tr>
<td>Colorado</td>
<td>$1,100</td>
<td>$1,500</td>
<td>$1,900</td>
<td>$2,200</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>$1,300</td>
<td>$1,900</td>
<td>$2,200</td>
<td>$2,600</td>
</tr>
<tr>
<td>Florida</td>
<td>$1,500</td>
<td>$2,100</td>
<td>$2,500</td>
<td>$2,900</td>
</tr>
<tr>
<td>Georgia</td>
<td>$1,000</td>
<td>$1,400</td>
<td>$1,700</td>
<td>$2,000</td>
</tr>
<tr>
<td>Georgia</td>
<td>$1,000</td>
<td>$1,400</td>
<td>$1,700</td>
<td>$2,000</td>
</tr>
<tr>
<td>Mississippi</td>
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<td>$600</td>
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<tr>
<td>Missouri</td>
<td>$500</td>
<td>$800</td>
<td>$1,000</td>
<td>$1,200</td>
</tr>
<tr>
<td>Montana</td>
<td>$1,500</td>
<td>$2,500</td>
<td>$3,000</td>
<td>$3,500</td>
</tr>
<tr>
<td>Nevada</td>
<td>$1,100</td>
<td>$1,700</td>
<td>$2,000</td>
<td>$2,300</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>$1,100</td>
<td>$1,700</td>
<td>$2,000</td>
<td>$2,300</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$2,000</td>
<td>$2,800</td>
<td>$3,400</td>
<td>$4,000</td>
</tr>
<tr>
<td>North Carolina</td>
<td>$1,200</td>
<td>$1,700</td>
<td>$2,100</td>
<td>$2,400</td>
</tr>
<tr>
<td>Oregon</td>
<td>$1,100</td>
<td>$2,300</td>
<td>$2,700</td>
<td>$3,200</td>
</tr>
<tr>
<td>South Carolina</td>
<td>$1,500</td>
<td>$2,200</td>
<td>$2,700</td>
<td>$3,200</td>
</tr>
<tr>
<td>South Dakota</td>
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<td>$1,500</td>
<td>$1,700</td>
<td>$1,900</td>
</tr>
<tr>
<td>Tennessee</td>
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<td>$1,300</td>
<td>$1,500</td>
<td>$1,700</td>
</tr>
<tr>
<td>Texas</td>
<td>$1,300</td>
<td>$2,000</td>
<td>$2,300</td>
<td>$2,600</td>
</tr>
<tr>
<td>Vermont</td>
<td>$1,600</td>
<td>$2,500</td>
<td>$3,000</td>
<td>$3,500</td>
</tr>
</tbody>
</table>

1 When 133.3 percent of per capita income was lower than the 133.3 percent of the amount for a 4-person family, this lower amount was used for the 4-person family and comparable adjustments were made for other family sizes.

2 Program began July 1, 1967; plan not yet approved.

3 Program began June 1, 1967; plan not yet approved.

4 Proposed standard based on per capita income rather than AFDC standard.
### Table 15: Title XIX: Comparison of amount of protected income at proposed level (based on 140 percent of AFDC assistance standard) with amount specified in currently approved State plans

**States Currently Operating Medical Assistance Programs Under Title XIX That Includes the "Medically Needy"**

<table>
<thead>
<tr>
<th>State</th>
<th>1 person Proposed amount</th>
<th>1 person Difference from present</th>
<th>2 persons Proposed amount</th>
<th>2 persons Difference from present</th>
<th>3 persons Proposed amount</th>
<th>3 persons Difference from present</th>
<th>4 persons Proposed amount</th>
<th>4 persons Difference from present</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$1,700</td>
<td>$1,024</td>
<td>$2,300</td>
<td>$984</td>
<td>$2,800</td>
<td>$764</td>
<td>$3,300</td>
<td>$504</td>
</tr>
<tr>
<td>Connecticut</td>
<td>2,000</td>
<td>-100</td>
<td>2,600</td>
<td>+600</td>
<td>3,200</td>
<td>+800</td>
<td>3,900</td>
<td>+100</td>
</tr>
<tr>
<td>Delaware</td>
<td>1,600</td>
<td>+100</td>
<td>2,200</td>
<td>+100</td>
<td>2,700</td>
<td>0</td>
<td>3,200</td>
<td>-100</td>
</tr>
<tr>
<td>Hawaii</td>
<td>1,900</td>
<td>+400</td>
<td>2,600</td>
<td>+440</td>
<td>3,200</td>
<td>+680</td>
<td>3,700</td>
<td>-700</td>
</tr>
<tr>
<td>Illinois</td>
<td>1,500</td>
<td>-300</td>
<td>2,000</td>
<td>-400</td>
<td>2,500</td>
<td>-500</td>
<td>2,900</td>
<td>-700</td>
</tr>
<tr>
<td>Iowa</td>
<td>1,300</td>
<td>-300</td>
<td>1,700</td>
<td>-700</td>
<td>2,100</td>
<td>-900</td>
<td>2,500</td>
<td>-1,100</td>
</tr>
<tr>
<td>Kansas</td>
<td>2,000</td>
<td>+400</td>
<td>2,800</td>
<td>+660</td>
<td>3,400</td>
<td>+800</td>
<td>4,000</td>
<td>+1,000</td>
</tr>
<tr>
<td>Kentucky</td>
<td>1,400</td>
<td>-220</td>
<td>2,000</td>
<td>-220</td>
<td>2,400</td>
<td>-420</td>
<td>2,800</td>
<td>-620</td>
</tr>
<tr>
<td>Maryland</td>
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<td>2,000</td>
<td>-280</td>
<td>2,400</td>
<td>-300</td>
<td>2,800</td>
<td>-320</td>
</tr>
<tr>
<td>Massachusetts</td>
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<td>+140</td>
<td>3,200</td>
<td>+368</td>
<td>3,900</td>
<td>+396</td>
<td>4,500</td>
<td>+324</td>
</tr>
<tr>
<td>Michigan</td>
<td>1,600</td>
<td>-300</td>
<td>2,200</td>
<td>-500</td>
<td>2,700</td>
<td>-420</td>
<td>3,100</td>
<td>-440</td>
</tr>
<tr>
<td>Minnesota</td>
<td>1,900</td>
<td>+280</td>
<td>2,600</td>
<td>+380</td>
<td>3,100</td>
<td>+472</td>
<td>3,700</td>
<td>+664</td>
</tr>
<tr>
<td>Nebraska</td>
<td>1,000</td>
<td>-600</td>
<td>1,400</td>
<td>-800</td>
<td>1,700</td>
<td>-900</td>
<td>2,000</td>
<td>-1,000</td>
</tr>
<tr>
<td>New York</td>
<td>2,100</td>
<td>-800</td>
<td>2,900</td>
<td>-1,100</td>
<td>3,500</td>
<td>-1,700</td>
<td>4,100</td>
<td>-1,900</td>
</tr>
<tr>
<td>North Dakota 4</td>
<td>1,700</td>
<td>+100</td>
<td>2,400</td>
<td>+200</td>
<td>2,900</td>
<td>+300</td>
<td>3,400</td>
<td>+400</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>1,400</td>
<td>-328</td>
<td>2,000</td>
<td>+32</td>
<td>2,400</td>
<td>+192</td>
<td>2,800</td>
<td>+352</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>1,700</td>
<td>-300</td>
<td>2,400</td>
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1 When 140 percent of per capita income was lower than the 140 percent of the amount for a 4-person family, this lower amount was used for the 4-person family and comparable adjustments were made for other family sizes.
2 Program began July 1, 1967; plan not yet approved.
3 Program began June 1, 1967; plan not yet approved.
4 Proposed standard based on per capita income rather than the AFDC standard.
### Table 16.—Title XIX: Comparison of amount of protected income at proposed level (based on 150 percent of AFDC assistance standard) with amount specified in currently approved State plans

**STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT INCLUDES THE “MEDICALLY NEEDY”**

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<th>Proposed amount</th>
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**STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT DO NOT INCLUDE THE “MEDICALLY NEEDY”**

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</tbody>
</table>

1 When 150 percent of per capita income was lower than the 150 percent of the amount for a 4-person family, this lower amount was used for the 4-person family and comparable adjustments were made for other family sizes.

2 Program began July 1, 1967; plan not yet approved.

3 Program began June 1, 1967; plan not yet approved.

4 Proposed standard based on per capita income rather than AFDC standard.
### Table 17.—Income and resources levels for medically needy in title XIX plans approved and in operation as of June 30, 1967

#### 1. ANNUAL INCOME

<table>
<thead>
<tr>
<th>State</th>
<th>Date program began</th>
<th>Income protected for maintenance, by number of persons in family</th>
<th>Plus amounts for additions</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>Mar. 1, 1966</td>
<td>2,000, 3,200, 3,564, 3,804</td>
<td>$240 per person.</td>
</tr>
<tr>
<td>Revised</td>
<td></td>
<td>$2,114, 3,200, 3,500, 3,800</td>
<td>$300 per person.</td>
</tr>
<tr>
<td>Connecticut</td>
<td>July 1, 1966</td>
<td>1,500, 2,100, 2,700, 3,300</td>
<td>5, $3,800; 6, $4,300; 7, $4,800; plus $400 for 8th, 9th and 10th person; $200 each additional person over 10.</td>
</tr>
<tr>
<td>Delaware</td>
<td>Oct. 1, 1966</td>
<td>1,440, 2,160, 2,520, 3,000</td>
<td>5, $3,420; 6, $3,900; $480-$540 per person up to $8,460 for 15.</td>
</tr>
<tr>
<td>Hawaii</td>
<td>Jan. 1, 1966</td>
<td>1,800, 2,400, 3,000, 3,600</td>
<td>$600 for each additional person.</td>
</tr>
<tr>
<td>Illinois</td>
<td>Jan. 1, 1966</td>
<td>1,620, 2,220, 2,820, 3,420</td>
<td>5, $4,020; 6, $4,500; 7, $4,980; plus $360 each additional person.</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Jul. 1, 1966</td>
<td>1,800, 2,280, 2,700, 3,120</td>
<td>$420 each additional.</td>
</tr>
<tr>
<td>Maryland</td>
<td>Aug. 1, 1966</td>
<td>1,600, 2,200, 2,600, 3,000</td>
<td>$400 each additional person ($405).</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Sept. 1, 1966</td>
<td>1,500, 2,000, 2,500, 3,000</td>
<td>$500 each additional.</td>
</tr>
<tr>
<td>Michigan</td>
<td>Oct. 1, 1966</td>
<td>1,900, 2,700, 3,120, 3,540</td>
<td>$420 each additional.</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Jan. 1, 1966</td>
<td>1,600, 2,200, 2,600, 3,000</td>
<td>$420 each additional.</td>
</tr>
<tr>
<td>Revised</td>
<td></td>
<td>1,500, 2,000, 2,500, 3,000</td>
<td>$400 each additional.</td>
</tr>
<tr>
<td>Hawaii</td>
<td>Apr. 1, 1967</td>
<td>1,600, 2,200, 2,600, 3,000</td>
<td>$400 for each additional person.</td>
</tr>
<tr>
<td>New York</td>
<td>May 1, 1966</td>
<td>2,900, 4,000, 5,200, 6,000</td>
<td>$550 each additional person.</td>
</tr>
<tr>
<td>North Dakota</td>
<td>Jan. 1, 1966</td>
<td>1,600, 2,200, 2,600, 3,000</td>
<td>$400 each additional.</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Mar. 1, 1966</td>
<td>1,725, 2,250, 2,750, 3,250</td>
<td>$240 each additional member up to 10 persons.</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>Apr. 1, 1967</td>
<td>2,000, 2,500, 3,000, 3,500</td>
<td>$750 each additional person.</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>Nov. 1, 1966</td>
<td>1,500, 1,800, 2,200, 2,600</td>
<td>$400 each additional person.</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>July 1, 1966</td>
<td>2,500, 3,500, 4,500, 5,500</td>
<td>$400 each additional.</td>
</tr>
<tr>
<td>Utah</td>
<td>Jan. 1, 1966</td>
<td>1,200, 1,680, 2,160, 2,640</td>
<td>5, $3,120; $360 each additional person.</td>
</tr>
<tr>
<td>Virgin Islands</td>
<td>Jul. 1, 1966</td>
<td>2,200, 2,750, 3,300, 3,850</td>
<td>$440 each additional member of family unit.</td>
</tr>
<tr>
<td>Washington</td>
<td>Apr. 1, 1967</td>
<td>1,680, 2,280, 2,880, 3,480</td>
<td>$360 each additional person.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Jul. 1, 1966</td>
<td>1,400, 2,200, 2,900, 3,600</td>
<td>$500 each additional legal dependent.</td>
</tr>
<tr>
<td>Nevada</td>
<td>Sept. 1, 1966</td>
<td>1,800, 2,280, 2,700, 3,120</td>
<td>$420 each additional.</td>
</tr>
<tr>
<td>New York</td>
<td>Aug. 1, 1966</td>
<td>2,900, 4,000, 5,200, 6,000</td>
<td>$550 each additional person.</td>
</tr>
<tr>
<td>North Dakota</td>
<td>Mar. 1, 1966</td>
<td>1,600, 2,200, 2,600, 3,000</td>
<td>$400 each additional.</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Apr. 1, 1967</td>
<td>1,725, 2,250, 2,750, 3,250</td>
<td>$240 each additional member up to 10 persons.</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>May 1, 1966</td>
<td>2,000, 2,500, 3,000, 3,500</td>
<td>$750 each additional person.</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>June 1, 1966</td>
<td>1,500, 1,800, 2,200, 2,600</td>
<td>$400 each additional person.</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>July 1, 1966</td>
<td>2,500, 3,500, 4,500, 5,500</td>
<td>$400 each additional.</td>
</tr>
<tr>
<td>Utah</td>
<td>Aug. 1, 1966</td>
<td>1,200, 1,680, 2,160, 2,640</td>
<td>5, $3,120; $360 each additional person.</td>
</tr>
<tr>
<td>Virgin Islands</td>
<td>Sept. 1, 1966</td>
<td>2,200, 2,750, 3,300, 3,850</td>
<td>$440 each additional member of family unit.</td>
</tr>
<tr>
<td>Washington</td>
<td>Oct. 1, 1966</td>
<td>1,680, 2,280, 2,880, 3,480</td>
<td>$360 each additional person.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Nov. 1, 1966</td>
<td>1,400, 2,200, 2,900, 3,600</td>
<td>$500 each additional legal dependent.</td>
</tr>
</tbody>
</table>

#### 2. CASH OR OTHER LIQUID RESOURCES

<table>
<thead>
<tr>
<th>State</th>
<th>Plan approved</th>
<th>Value of cash assets or other liquid resources, by number of persons in family</th>
<th>Plus amounts for additional persons or other assets allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>X</td>
<td>$1,500, $3,000, $3,000, $3,000</td>
<td>$100 each additional person. Cash value of life insurance, $500 maximum per family.</td>
</tr>
<tr>
<td>Connecticut</td>
<td>X</td>
<td>900, 1,300, 1,400, 1,500</td>
<td>$100 each additional family member; cash value of life insurance, $500 for single person, $1,000 married couple.</td>
</tr>
<tr>
<td>Delaware</td>
<td>X</td>
<td>600, 900, 1,000, 1,100</td>
<td>$100 each additional family member; cash value of life insurance, $500 for single person, $1,000 married couple.</td>
</tr>
<tr>
<td>State</td>
<td>X</td>
<td>400</td>
<td>600</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Hawaii</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Illinois</td>
<td>X</td>
<td>400</td>
<td>600</td>
</tr>
<tr>
<td>Kentucky</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td>X</td>
<td>2,500</td>
<td>2,600</td>
</tr>
<tr>
<td>Michigan</td>
<td>X</td>
<td>1,500</td>
<td>2,000</td>
</tr>
<tr>
<td>Minnesota</td>
<td>X</td>
<td>750</td>
<td>1,000</td>
</tr>
<tr>
<td>Nebraska</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>X</td>
<td>$1,450</td>
<td>2,000</td>
</tr>
<tr>
<td>North Dakota</td>
<td>X</td>
<td>$300</td>
<td>600</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>X</td>
<td>2,400</td>
<td>3,840</td>
</tr>
<tr>
<td>Puerto Rico, revised</td>
<td>X</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>X</td>
<td>$4,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Utah</td>
<td>X</td>
<td>400</td>
<td>800</td>
</tr>
<tr>
<td>Virgin Islands</td>
<td>X</td>
<td>1,500</td>
<td>1,600</td>
</tr>
<tr>
<td>Washington</td>
<td>X</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>X</td>
<td>2,300</td>
<td>3,000</td>
</tr>
</tbody>
</table>

1 The following States are not listed since they do not include the "medically needy" in the scope of the program: Idaho, Louisiana, Maine, New Mexico, Ohio, Vermont and West Virginia.
2 Figures apply in family with 1 wage earner. For families with no wage earner: 1 person, $2,300; 2, $3,250; 3, $4,350; 4, $5,150; and $850 for each additional member.
3 Figures apply to persons owning own home.
4 Home, household goods, and personal effects are exempt in all jurisdictions. References to other real property which may be retained, unless identified in a title XIX plan as included within the total limitation on resources, have been omitted from this table.
5 Figures shown here apply in family with 1 wage earner. For family with no wage earner, resources may be: 1, $1,150; 2, $1,625; 3, $2,175; 4, $2,575; plus $425 for each additional dependent.
6 In addition, may have annual contribution up to $1,080 from person not residing in the family household.
7 These maximums on liquid assets are included within the overall limitation of $2,500 on the equity which a family may have in personal property; the difference may be held in the value of such other property as vehicle, machinery, livestock, and the cash surrender value of life insurance.
8 Other real and personal assets, up to the value of $3,000, may be retained if used toward self-support.
9 In addition, tangible personal property to the value of $5,000 per household unit may be retained.