

H.R. 12080

SOCIAL SECURITY AMENDMENTS OF 1967

DECISIONS OF THE COMMITTEE ANNOUNCED BY
THE CHAIRMAN

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*

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GENERAL STATEMENT

The Honorable Russell B. Long, chairman, announced today that the Senate Committee on Finance had voted to report H.R. 12080, the Social Security Amendments of 1967, to the Senate. He stated that the committee had amended the House bill to improve it in several important respects.

The bill as amended would provide for the payment of additional social security benefits totaling \$5.8 billion during the first 12 months of full operation of all the new benefit provisions (i.e., in calendar year 1969)—\$2.4 billion more than would have been paid under the House bill.

About 23.8 million social security beneficiaries would have their benefits increased and 1¼ million people would become eligible for benefits under the bill after all the new benefit provisions become operative.

The level of living of all of these people would be improved under the committee amendments; 1.6 million aged people would be moved out of poverty, and about 200,000 of the aged could be taken off the public assistance rolls.

The chairman announced that the higher benefits under the committee amendments would become payable for March 1968 and the first checks reflecting the increased benefits would be received early in April 1968.

He told reporters that the amount of benefits provided under the committee schedule could be contrasted with those proposed by the House and those authorized under existing law by referring to the following table:

BENEFITS PAYABLE AT SELECTED AVERAGE MONTHLY EARNINGS LEVELS UNDER PRESENT LAW, THE HOUSE BILL, AND THE COMMITTEE BILL

Average monthly earnings	Worker's ¹ benefit			Couple's ¹ benefit			Widow, widower, or parent age 62		
	Present law	House bill	Committee bill	Present law	House bill	Committee bill	Present law	House bill	Committee bill
67	\$44.00	\$50.00	\$70.00	\$66.00	\$75.00	\$105.00	\$44.00	\$50.00	\$70.00
150	78.20	88.00	90.00	117.50	132.00	135.00	64.60	72.60	74.30
250	101.70	114.50	117.00	152.60	171.80	175.50	84.00	94.50	96.60
350	124.20	139.80	142.90	186.30	209.70	214.40	102.50	115.40	117.90
450	146.00	164.30	167.90	219.00	246.50	251.90	120.50	135.60	138.60
550	168.00	189.00	193.20	252.00	283.50	289.80	138.60	156.00	159.40
633	168.00	212.00	216.00	252.00	317.00	321.00	138.60	174.90	178.20
733	168.00	212.00	244.00	252.00	317.00	349.00	138.60	174.90	201.30
900	168.00	212.00	288.00	252.00	317.00	393.00	138.60	174.90	237.60

¹ For a worker who is disabled or is age 65 or older at the time of retirement and a wife age 65 or older when she comes on the rolls.

² Maximum wife's benefit: \$105.

To increase the purchasing power of persons receiving old-age assistance, the committee added a new provision under which State old-age assistance programs would have to provide an average increase of \$7.50 a month to elderly people getting assistance payments. The cost of this provision generally would be met out of the savings to the States that will result from the payment of increased social security benefits to people getting old-age assistance.

The chairman announced that another important amendment added to the House bill would permit individuals who have attained age 60 to retire and receive social security benefits. Under existing law, full benefits can be received only when the individual reaches age 65 but both men and women may elect to receive reduced benefits after they attain age 62 (widows can now receive benefits on a reduced basis at age 60). Benefits under the committee amendment would be reduced to reflect the longer period over which the individual would be receiving them. This earlier retirement age feature would become effective December 1968.

The committee also agreed to liberalize the treatment of disabled widows and widowers of covered deceased workers. Under the committee amendment, these widows and widowers would become entitled to a benefit of 82½ percent of the amount their spouse would have been entitled to receive if he had retired at age 65. This group was considered particularly deserving of aid because of their inability to go to work and earn an income after their spouse had died.

Senator Long reported a further liberalization of the retirement test in the social security law which today serves to reduce the benefits payable to an individual who earns more than \$1,500 a year. The committee amendment permits a retiree to earn as much as \$1,680 a year in 1968 and \$2,000 a year after 1968 without reduction of his social security benefits. The chairman stressed this amendment would make it possible for more social security retirees to accept part-time employment.

He also announced that the committee had agreed to provide for payment of disability benefits to blind persons having vision of less than 20/200 if they have at least six quarters of coverage under the social security program. Eligible blind persons would continue to receive these benefits after reaching age 65 on the basis of disability.

He also reported that the committee had agreed to make the taxable earnings base and tax rate changes necessary to pay for the higher level of benefits on the same general basis as the House bill would have provided. Essentially, this means increasing the tax base from \$6,600 to \$8,000 (as contrasted to \$7,600 in the House bill), effective January 1, 1968, and retaining in 1968 the 4.4-percent tax rate applicable to employers and employees in present law in 1967-68 (as did the House bill). For details of the financing provisions, see pp. 7-8.

In the area of medicare the committee made an important improvement in the billing procedures provided for by existing law. Today, a patient must pay his doctor and receive a receipted bill in order to be reimbursed for his medical expenses under the program—unless his doctor agreed to take an assignment and submit his bill directly to medicare. Under the committee amendment, this pay-first requirement would be deleted, and instead, the patient would be allowed to submit an itemized bill from his physician to medicare, receive his payment under the program and then pay the bill. The chairman indicated that this desirable change should eliminate a great deal of the procedural obstacles in medicare and should make for better doctor-patient relationships in the case of medicare beneficiaries. As under existing law, the alternative would be continued under which doctors could take assignments from their patients and bill medicare directly for their fees.

Another amendment in the medical area deals with the deduction of medical expenses by persons age 65 and over. Until the Social

Security Amendments of 1965, these aged taxpayers could deduct their medical expenses without limit, whereas those under age 65 could deduct only their extraordinary medical expenses. The 1965 amendments subjected taxpayers age 65 and over to the same limitations applicable to younger taxpayers and made the restriction effective in 1967. The committee amendment would restore the full deduction for medical expenses for persons age 65 and over, but only if they elect to forego their rights to all benefits under the medicare program.

Senator Long also announced that the committee had agreed to limitations on the amount of Federal funds that would be made available to States for the purpose of financing their medicaid programs. These programs provide for medical care for welfare recipients and in many States they also provide medical care for persons characterized as medically indigent under the State laws. He indicated that this limitation would reduce Federal expenditures for this purpose by over a billion dollars a year after 1970—approximately the same amount the House bill would save. The committee bill would allow more latitude than the House bill as to whom the States could cover under their program. On the other hand, the committee bill would reduce the Federal matching share for medically indigent persons from a range (based upon the per capita income of the State) of 50 percent to 83 percent under both present law and the House bill to a range of 25 percent to 69 percent. It would not change Federal participation for persons whose income qualifies them for welfare payments.

Chairman Long also stated that the committee had agreed to include in the bill a comprehensive work-incentive program for the purpose of rehabilitating persons with respect to whom aid to families with dependent children is being paid. He stressed that this feature of the committee bill was not designed to coerce mothers with small children to work under the threat of losing their welfare benefits, but that those persons who were determined to be appropriate for work would be expected to perform some useful services to society in return for the support they receive from society.

The committee's bill specifically excludes certain categories of persons, including a mother who is in fact caring for one or more children of preschool age, if her presence in the home is necessary and in the best interests of her children. For all persons who are referred to training or employment the welfare agency would be required to provide necessary child care arrangements.

Further emphasizing the committee's desire to reduce the welfare burden by helping AFDC recipients to become self-sufficient, Senator Long stated that the committee had also agreed to establish more generous earnings exemptions than the House provided with respect to those recipients for whom regular employment is found. The purpose of this provision, he said, is to encourage assistance recipients to move into private employment.

The employment and training programs for assistance recipients would be administered by the Department of Labor, according to Senator Long, rather than the Department of Health, Education, and Welfare as the House bill would have provided. Those who are in need of training to make them better qualified employees would receive appropriate training and would be given up to \$20 weekly as an incentive payment while being trained. Where there are no jobs available that these persons can perform (or be trained to perform) the local employment offices would make arrangements for special

work projects through public agencies or nonprofit agencies which are performing public services and would use their welfare payment to help underwrite their salaries.

The chairman indicated that the committee had deleted that provision of the House bill which sought to freeze the proportion of illegitimate children and those deserted by a parent covered by the welfare program to the level existing in the respective States on January 1, 1967. He indicated that the work-incentive program approved by the committee together with the greater emphasis placed by the committee on family planning services for the poor should act as a restraint on burgeoning welfare rolls.

An important amendment added to the House bill by the committee also should serve to reduce the burden on State welfare systems of caring for dependent children of runaway parents. This amendment would employ the services of the Federal tax collector in helping to locate runaway fathers and to encourage them to make payments to their abandoned children in compliance with support orders of local courts. If the parent refused to make support payments, the Internal Revenue Service would collect from him or his employer an amount equal to the Federal share of the welfare payments which were made to his deserted children or the amount of the court order, whichever is the lesser.

The combination of these amendments increases the authorization for Federal welfare programs in 1968 by \$100 million over the \$4.5 billion level authorized by existing law. This contrasts with the House bill which would reduce welfare programs by \$78 million in 1968.

The full description of these committee amendments, and others, in the area of cash social security benefits, medicare, medicaid, child health, public welfare and employment taxes is published in the following paragraphs.

I. OLD-AGE, SURVIVORS, DISABILITY AND HEALTH INSURANCE PROGRAMS

A. Old-Age, Survivors, and Disability Insurance

Increase in Social Security Benefits

The bill would provide an increase in benefit payments averaging 20 percent, with a guaranteed increase in monthly cash benefits of 15 percent for all beneficiaries on the social security rolls. The benefit increases proposed by the Senate Finance Committee are the same as those recommended by the President and exceed those adopted by the House. The House bill would have provided for an increase in cash benefits of 12½ percent, with a minimum worker's benefit of \$50 per month. Under the provisions adopted by the Finance Committee, the average monthly benefit paid to retired workers and their wives now on the rolls would increase from \$145 to \$171 (\$164 under the House bill). The minimum benefit would be increased from \$44 to \$70 a month (\$50 under the House bill). Monthly benefits would range from \$70 to \$163.30, for retired workers now on social security rolls who began to draw benefits at age 65 or later, compared with \$50 to \$159.80 under the House bill. Under existing law, the benefit range for such retired people now receiving old-age benefits is \$44 to \$142 a month.

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 \$8,000 in 1968, \$8,800 in 1969, and to \$10,800 in 1972. The House bill provided for one increase in the base—to \$7,600 a year, effective January 1, 1968.

The \$168 maximum benefit (based on average monthly earnings of \$550—or \$6,600 per year) eventually payable under present law would be increased to \$193.20 compared with \$189 under the House bill. The increase in the amount of earnings that can be used in the benefit computation would result in a maximum benefit of \$288 (based on average monthly earnings of \$900—\$10,800 a year) in the future; the maximum benefit under the House bill would be \$212 (based on average monthly earnings of \$633—\$7,600 a year). The maximum benefits payable to a family on a single earnings record would be \$540 (\$423.60 under the House bill). Of course, to qualify for the maximum retirement benefits just outlined, a wage earner must have earned the maximum under the new earnings bases for a number of years.

Although to qualify for the maximum retirement benefits just outlined, a wage earner must have earned the maximum under the higher bases for many years in the future, benefit amounts would be increased significantly over those that would be payable under the House bill in the near future.

The increased benefits would be first payable for the month of March 1968 and will be reflected in checks received early in April. It is estimated that in this case 22.8 million people would be paid increased benefits beginning early in April. As a result of the benefit

increase, \$4.1 billion in additional benefits would be paid out in the first 12 months.

Special Benefits for Uninsured

The special payments made to uninsured individuals aged 72 and over would be increased from \$35 to \$50 a month for a single person and from \$52.50 to \$75 a month for a couple. Under the House bill these payments would be increased to \$40 and \$60, respectively.

Reduced Benefits at Age 60

Under present law, full-rate benefits are payable at age 62 to people qualifying for benefits as widows and parents, and reduced benefits are payable at age 62 to workers and to people qualifying for benefits as wives and husbands. Only people getting benefits as widows now have the option of taking reduced benefits at age 60.

Under the bill, the age of eligibility would be lowered to 60 for all categories of aged beneficiaries, with the benefits payable before age 62 reduced according to the same principle as that applied under present law. The reduction rate in present law for a wife's (or a husband's) benefit is twenty-five thirty-sixths of 1 percent, and for a worker's (and a widow's) benefit it is five-ninths of 1 percent, for each month that the beneficiary is under age 65 (62 for a widow) when he begins to get benefits.

H.R. 12080, as passed by the House of Representatives, contained no comparable provision.

Monthly benefits would be payable under this provision beginning with the month of December 1968 and will be reflected in checks received in January 1969. An estimated 760,000 additional people would get benefits amounting to \$542 million during the first 12 months of operation. Since the benefit amount payable at age 60 would be reduced to take account of the longer period over which benefits would be paid, the payment of these benefits would not result in any additional long-range cost to the program.

Retirement Test

The committee modified the provision of the House bill which would have increased from \$1,500 a year to \$1,680 the amount a person may earn without having his social security benefits withheld. Under the committee bill the House provision would apply in 1968, but the amount of the exemption would be increased to \$2,000 a year in 1969. The amount to which the \$1 for \$2 reduction would apply would range from \$1,680 to \$2,880 in 1968 and from \$2,000 to \$3,200 in 1969 and thereafter. Also the amount a person may earn in 1 month and still get benefits for that month (regardless of how much he earns in the year) would be \$140 in 1968 and would increase to \$166.67 in 1969 and thereafter.

Disabled Widows and Widowers

The committee's bill would provide full-rate benefits for many totally disabled widows and widowers—the benefits equalling 82½ percent of the deceased spouse's primary insurance amount. Under the provision in the House bill, reduced benefits—ranging from 50 percent to 82½ percent of the spouse's primary insurance amount—would have been provided for disabled widows and widowers aged 50 and over. The committee's bill would not only increase the benefit amounts provided by the House but would also eliminate the requirement that the disabled widow or widower be at least age 50 to receive benefits on the basis of disability. As in the House bill, to be eligible for the benefits, the widow or widower must have become totally disabled not later than 7 years after the spouse's death, or in the case of a widowed mother, before the youngest child reaches age 18 or within 7 years thereafter. About 70,000 disabled widows and widowers would be eligible for benefits and about \$71 million in benefits would be paid during the first 12 months of operation.

Benefits for the Blind

The committee added a new provision (to be effective with respect to checks received in January 1969) which would make blind persons with at least six quarters of coverage eligible for disability insurance benefits without regard to their ability to work. In order to qualify for benefits a person would have to have vision of less than 20/200, rather than 5/200 as in present law.

Family Employment

The committee added a provision to the House bill to extend social security coverage to employment performed in the private home of the employer by a parent in the employ of his son or daughter where there is a clear need for the parent to perform the work. The employment would be covered if the son or daughter is (a) a widow or widower with a child under age 18 or a disabled child or (b) a person with such a child who either is divorced or has a disabled spouse. The bill would continue to exclude from coverage employment performed in a private home by a parent when these conditions are not met, employment of a child under age 21 by his parent, and employment of a husband or wife by the spouse.

Financing of Social Security Program

Taxes, tax rates, and the taxable wage base under present law and under H.R. 12080 as passed by the House of Representatives and as ordered reported by the Senate Finance Committee are shown in tables 1 and 2. Income and outgo are shown in table 3.

SOCIAL SECURITY AMENDMENTS OF 1967

TABLE 1 --MAXIMUM TAX CONTRIBUTIONS UNDER PRESENT LAW AND UNDER H.R. 12930

Period	OASDI			HI			Total		
	Present law	House bill	Committee bill	Present law	House bill	Committee bill	Present law	House bill	Committee bill
By employee									
1967	\$257.40	\$257.40	\$257.40	\$33.00	\$33.00	\$33.00	\$290.40	\$290.40	\$290.40
1968	257.40	296.40	304.00	33.00	38.00	48.00	290.40	334.40	352.00
1969-70	290.40	319.20	349.60	33.00	45.60	52.80	323.40	364.80	422.40
1971	290.40	349.60	404.90	33.00	45.60	52.80	323.40	395.20	457.60
1972	290.40	349.60	496.80	33.00	45.60	64.80	323.40	395.20	561.60
1973-75	320.10	349.60	540.00	36.30	49.40	70.20	356.40	429.40	610.20
1976-79	370.10	349.60	545.40	39.60	53.20	70.20	359.70	433.20	615.60
1980-86	370.10	380.00	545.40	46.10	60.60	81.00	366.30	440.80	626.40
1987 and after	370.10	380.00	715.40	52.00	68.40	81.00	372.90	448.40	626.40
By self-employed									
1967	389.10	349.10	343.40	33.00	33.00	33.00	422.40	422.40	422.40
1968	389.10	448.10	444.00	33.00	38.00	48.00	422.40	486.40	512.00
1969-70	436.60	478.90	514.40	33.00	45.60	52.80	468.60	524.40	607.20
1971	436.60	514.40	607.10	33.00	45.60	52.80	468.60	534.40	660.00
1972	436.60	514.40	745.10	33.00	45.60	64.80	468.60	530.00	810.00
1973-75	483.60	514.40	796.10	36.30	49.40	70.20	498.30	531.40	826.20
1976-79	533.60	514.40	746.00	39.60	53.20	70.20	501.60	535.20	826.20
1980-86	533.60	545.40	755.00	46.10	60.60	81.00	508.20	593.30	837.00
1987 and after	533.60	545.40	755.00	52.00	68.40	81.00	511.50	604.40	837.00

TABLE 2 --TAX RATES UNDER PRESENT LAW AND H.R. 12930

[In percent]

Period	OASDI			HI			Total		
	Present law	House bill	Committee bill	Present law	House bill	Committee bill	Present law	House bill	Committee bill
Employer-employee, each									
1967	3.9	3.9	3.9	0.5	0.5	0.5	4.4	4.4	4.4
1968	3.9	3.9	3.8	.5	.5	.6	4.4	4.4	4.4
1969-70	4.4	4.2	4.2	.5	.6	.5	4.9	4.8	4.8
1971-72	4.4	4.5	4.6	.5	.6	.6	4.9	5.2	5.2
1973-75	4.35	5.0	5.0	.55	.65	.65	5.4	5.65	5.65
1976-79	4.85	5.0	5.05	.6	.7	.65	5.45	5.7	5.7
1980-86	4.85	5.0	5.05	.7	.8	.75	5.55	5.8	5.8
1987 and after	4.95	5.0	5.05	.8	.9	.75	5.65	5.9	5.8
Self-employed									
1967	5.9	5.9	5.9	0.5	0.5	0.5	6.4	6.4	6.4
1968	5.9	5.9	5.8	.5	.5	.6	6.4	6.4	6.4
1969-70	6.6	6.3	6.3	.5	.6	.6	7.1	6.9	6.9
1971-72	6.6	6.9	6.9	.5	.6	.6	7.1	7.5	7.5
1973-75	7.0	7.0	7.0	.55	.65	.65	7.55	7.65	7.65
1976-79	7.0	7.0	7.0	.6	.7	.65	7.6	7.7	7.65
1980-86	7.0	7.0	7.0	.7	.8	.75	7.7	7.8	7.75
1987 and after	7.0	7.0	7.0	.8	.9	.75	7.8	7.9	7.75

Note. Maximum taxable earnings base under present law is \$6,600. Maximum taxable earnings base under House bill is \$7,600, beginning in 1963. Maximum taxable earnings base under committee bill is \$8,000 in 1968, \$8,800 in 1969-71, and \$11,900 in 1972 and after.

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TABLE 3 - COMPARISON OF CONTRIBUTION INCOME AND BENEFIT OUTGO UNDER PRESENT LAW, HOUSE BILL AND FINANCE COMMITTEE BILL, 1967-72

(in billions of dollars)

Calendar year	Present law	House bill	Finance committee bill
Contribution Income			
1967	28.5		
1968	29.6	30.8	31.2
1969	33.7	34.9	36.3
1970	35.2	36.5	38.3
1971	36.2	40.3	47.5
1972	37.2	42.0	46.0
Benefit Outgo			
1967	24.2		
1968	25.5	28.7	29.0
1969	26.9	30.3	32.7
1970	28.2	31.7	34.4
1971	29.4	33.1	35.9
1972	30.8	34.6	37.4
Excess of Contributions over Benefits			
1967	4.3		
1968	4.1	2.1	2.2
1969	6.8	4.6	3.6
1970	7.0	4.9	3.9
1971	6.8	7.2	6.6
1972	6.4	7.4	8.0

Assumes that increased benefits will be payable for all 12 months of 1968 (as would have been the case if bill had been enacted when it passed the House)

- Based on effective date of March (payable at beginning of April) for increased benefits.

Note: Benefit outgo data include increase in HI benefit-cost estimates made following passage of House bill.

Child's Benefits for Those Disabled Before Age 22

The committee added to the House bill a provision which would provide child's insurance benefits for an otherwise qualified disabled child if his disability began after age 18 but before age 22. Under present law, a person must have become disabled before age 18 to qualify for childhood disability benefits as the son or daughter of an insured disabled, retired, or deceased worker.

Policemen and Firemen

The committee added a provision to the House bill to permit Nebraska and Puerto Rico, if they so desire, to provide coverage under social security for policemen and firemen who are now covered only under a State or local retirement system. Present Federal law prohibits social security coverage of policemen and firemen who are under retirement systems but excepts 19 specified States from this prohibition; the addition of Puerto Rico and Nebraska would raise the number of excepted jurisdictions to 21.

In addition, as part of any coverage extension, the State of Nebraska would be permitted to validate the coverage of certain firemen, in the group being covered, for whom social security contributions were erroneously paid.

Coverage of Firemen

The committee added a new provision which provides that social security coverage could be extended under the referendum provisions to firemen under a retirement system in States not listed in the Social Security Act as States permitted to cover policemen and firemen retirement system members if the Governor of the State certifies that the overall benefit protection of the group of firemen which would be brought under social security coverage by the referendum would be improved by reason of the extension of social security coverage to the group.

Employees of the Massachusetts Turnpike Authority

The committee added a new provision to permit the State of Massachusetts to modify its agreement for social security coverage so as to exclude employees of the Massachusetts Turnpike Authority who are in positions being brought into a new State retirement system.

State and Local Employees Receiving Fees

The committee added a provision to the House bill modifying the social security coverage provisions applying to State and local government employees who are compensated solely on a fee basis (such as constables and justices of the peace). Under present law, fee-basis employees, like other State and local government employees, may be covered only under a State coverage agreement. Under the provision approved by the committee, in the case of employees who are compensated solely on a fee basis, fees received after 1967 which are not covered under a State agreement would be covered under the self-employment provisions of law, except that people in fee-basis positions in 1968 could elect not to have their fees covered under the self-employment provisions. Under the committee bill, a State could, as under present law, modify its coverage agreement to provide coverage for fee-basis employees as employees. However, unlike present law, the committee bill would permit States to remove from coverage under its agreement persons who are compensated solely on a fee basis.

Coverage for Erroneously Reported Former State or Local Government Employees

The committee added a provision to the House bill to permit a State, when it provides retroactive coverage for a coverage group under a modification of the State's agreement, to provide coverage for former employees of the coverage group with respect to earnings that previously had been erroneously reported for them for quarters in the retroactive period, if no refund has been made of the taxes paid on the erroneously reported earnings.

Exclusion of Prisoners From Coverage Under Certain Programs

The committee bill provides that any employment by an inmate of a prison will not be creditable for purposes of establishing entitlement to unemployment insurance compensation, or for purposes of the Federal civil service retirement system. The bill would also broaden the present exclusion from social security coverage of most Federal employment to exclude all employment performed by a prison inmate for a Federal agency.

Coverage of Ministers

The committee amendment would modify the House-passed bill by deleting the provision providing coverage for members of religious orders who have taken a vow of poverty (thus retaining present law for this group). It would also permit a clergyman to elect not to be covered if he is conscientiously opposed to social security coverage, as in the House bill, or if he opposes such coverage on grounds of religious principle.

Benefits Paid on Basis of Erroneous Reports of Death in Military Service

The committee added a new provision which would provide that all benefits paid on the basis of official reports of death issued by the Department of Defense will be considered lawful payments even though it is later determined that the person who was reported dead is still alive.

Payments to Certain Children

The House bill provided that benefits payable to certain children who became entitled to benefits under the 1965 amendments could not exceed the difference between the total amounts payable to other persons and the family maximum amount. As a substitute, the committee bill would provide that the benefits payable to a person on the effective date of the 1965 amendments which were reduced because a child became entitled to benefits under the 1965 amendment will not be reduced in the future. For people who became entitled after the effective date of the 1965 amendments or become entitled in the future the provisions of present law will apply.

Underpayments

The committee modified the House-passed provision relating to benefits due after a person has died. The committee's amendment would provide that amounts due under supplementary medical insurance (pt. B) of medicare after the beneficiary's death be paid first to the person who paid for the services or the person who provided the services. (If the person who paid for the services is the decedent, the payment would be made to the legal representative of his estate, if there is one.) If there is none, the benefits would be paid under the following uniform order of payment for both cash benefits and part B benefits:

1. Spouse living with individual at time of his death or to spouse not living with individual but entitled to benefits on same earnings record.
2. Child entitled to benefits on same earnings record.
3. Parent entitled to benefits on same earnings record.
4. Spouse who was neither entitled to benefits on same earnings record nor living with individual.
5. Child not entitled to benefits on same earnings record.
6. Parent not entitled to benefits on same earnings record.
7. Legal representative of individual's estate, if any.
8. Person related to individual by blood, marriage, or adoption determined by Secretary to be proper person to receive the payment due.

Recovery of Overpayments

The committee bill would authorize the Secretary of HEW to recover overpaid benefits by requiring the overpaid beneficiary or his estate to refund the overpayment or by withholding the benefits payable to him, his estate or to any other person entitled to benefits on the same earnings record. A similar provision was adopted by the Senate in 1965 but was deleted in conference. A provision of this type was suggested in a GAO report dated July 25, 1961. (Under present law, overpayments may be recovered from the overpaid person while he is getting benefits; recovery may not be made from any other person getting benefits on the same account. There is no specific provision for recovering an overpayment while the beneficiary is alive if he is not getting benefits.)

Marriage of Child in School

Under present law a child's benefits generally stop when the child marries. The committee bill would provide that a child's benefits would not stop when the child married if the child was under age 22 and a full-time student and, in the case of a girl, her husband was also a full-time student.

U.S. Treaty Obligations—5-Year Residence Requirement

The bill would provide that the present 5-year residence requirements that uninsured people must meet in order to qualify for hospital insurance, or for special age 72 payments, or under the supplementary medical insurance program would not apply where they would be contrary to treaty obligations of the United States.

Payments to Aliens Outside the United States

The committee bill would modify the effective date of the provisions in the House bill which would (a) restrict benefit payments to an alien while outside the United States, and (b) prohibit payment of more than 12 months of accumulated benefits, and all future benefits, to an alien who is living in a Communist-controlled country. Under the committee amendment, the effect of these House provisions would be delayed until after December 31, 1968.

Separate Authorization for Social Security Research Programs

The committee bill includes a provision under which there would be a separation of the authorizations for cooperative research and demonstration grant programs (now one combined program) of the Social Security Administration and the Social and Rehabilitation Service. (This amendment would not increase the funds available for these research programs.)

State and Local Divided Retirement Systems

The committee added a provision to the House bill to grant an additional opportunity, through 1969, for election of social security coverage by employees of States and localities who did not elect coverage when they previously had the opportunity to do so under the provision of present law permitting specified States to cover only those members of a retirement system who desire coverage.

Expedited Benefit Payments

The committee bill would provide for the establishment of special procedures to expedite the payment of benefits. The provision would not apply to disability benefits or negotiated checks. Also, the provision would not limit the Secretary's authority to make earlier payments in appropriate cases.

Advisory Council on Social Security

The committee's bill would modify the House-passed provision relating to the time at which Advisory Councils would be appointed and would issue reports to provide that the Advisory Councils be appointed at any time after January 31 (rather than in February as in the House bill) in 1969 and every 4 years thereafter. As in present law each Council would report to the Secretary not later than the first day of the second year following the year in which it is appointed, such report to include any interim reports the Council may have issued.

Extension of Retroactivity of Disability Applications

The committee added a provision to the House bill to allow a longer period of time after termination of disability for the filing of a disability freeze application by an individual whose mental or physical disability interfered with his filing a timely application. This would enable workers who are totally disabled over an extended period but fail to file timely applications to nevertheless have the period of disability frozen, and thus not counted against them in subsequent determinations as to whether they are insured for social security benefits or the amount of such benefits.

B. Health Insurance Benefits

Payment of Physician Bills Under the Supplementary Medical Insurance Program

The committee modified the provision in the House bill which would provide for payment under the medical insurance program on the basis of an itemized bill submitted by a patient who has not paid the bill. Under present law, payment may be made only upon assignment to the physician or to the patient upon presentation of a receipted bill. The House bill provided for retention of present law provisions and added new ones for payment to the physician or patient on the basis of an unpaid bill. As modified by the committee, only two methods of payment would be provided. The committee's bill would permit payment either to the patient on the basis of an itemized bill (which could be either receipted or unpaid) or to the physician under the present assignment method. This provision would make it possible for patients to pay their medical bills, without depleting their savings or resorting to loans.

Payment for Services in Nonparticipating Hospitals

The committee added a provision to the House bill which would permit payment for services received in certain nonparticipating hospitals. At present, payments can be made to participating hospitals and, in an emergency case, to a nonparticipating hospital which meets

certain standards only if the hospital agrees to accept the reasonable costs as full payment for the services rendered.

For a temporary period, almost all of which has already expired, the committee bill would permit direct reimbursement to be made to an individual who was furnished hospital services during the period in a nonparticipating hospital. This coverage would not extend to admissions after 1967. Payment would be limited to 80 percent of the hospital ancillary charges and 60 percent of the room and board charges, for up to 20 days in each spell of illness (subject to the \$40 deductible and other statutory limitations of payment in present law) if the hospital did not formally participate in medicare before January 1, 1969. If it did participate in medicare before that date and if it applied its utilization review plan to the services it provided before its regular participation started, the full 90 days of coverage could be provided. Thus, there would be an incentive for presently nonparticipating hospitals to participate because participation is a condition for covering past services beyond 20 days and a condition for future coverage.

A similar provision would apply beginning January 1, 1968, but only as an alternative to present coverage of emergency care. Hospitals could apply for payment for a period of up to 90 days under present law provisions, or if the hospital did not apply, the patient could obtain payment on the basis of 60 percent of room and board charges and 80 percent of ancillary services charges under the new provision.

A new definition would be used for hospitals eligible under these transitional and emergency care provisions. Under it, a qualifying hospital must have a full-time nursing service, be licensed as a hospital, and be primarily engaged in providing medical care under the supervision of a doctor of medicine or osteopathy. This definition would apply back to July 1, 1966 so that some hospitals which today would be ineligible to receive payment for emergency services may receive such payments in behalf of beneficiaries back to the beginning of the program provided they apply for such payments. If they do not apply, the patient would be paid under other provisions.

This provision would afford financial relief to those medicare beneficiaries who have received services in certain nonparticipating hospitals since July 1966, sometimes entering such hospitals without realizing the services would not be covered under medicare.

Payment Under the Medical Insurance Program for Noncovered Hospital Ancillary Services

The committee added a provision to the House bill which would permit payment under the medical insurance program for presently noncovered ancillary hospital and extended care facility services, principally X-ray and laboratory services, furnished after the patient has been covered for the full period of eligibility. Under present law if a person is in a hospital or extended care facility qualified to participate under medicare, payment may not be made for services which could be paid for under part B if not received in a qualified hospital or extended care facility. As a result, sometimes the services are not covered under either part B or part A. The committee bill would allow payment to be made for services ordinarily not paid for under part B, wherever part A payments could not be made, if the appropri-

ate hospital or independent laboratory standards are met. Payment would be made to participating providers under the usual part B provisions applying to the \$50 deductible and 20 percent coinsurance.

Limitation on Special Reduction in Allowable Days of Inpatient Hospital Services

Under the House bill 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 becomes entitled to benefits under the hospital insurance program would be made inapplicable to benefits for services in a general hospital if the services are not primarily for the diagnosis or treatment of mental illness or tuberculosis. The committee accepted the change in the House bill with respect to psychiatric hospitals, but modified that part relating to tuberculosis hospitals. The committee would remove such hospitals from the provision in present law under which days in a tuberculosis institution immediately before entitlement to hospital insurance are counted against the days of coverage an individual would otherwise have. In effect, the committee's change would make an individual's entitlement to hospital insurance benefits the same if he received hospital services in a tuberculosis hospital as it would be if he received services in a general hospital.

Payment for Blood

The committee modified the provision in the House bill which provides that the patient would have to replace 2 pints of blood for the first pint of blood received for purposes of the 3-pint deductible. Under the committee's bill, replacement would be on a pint-for-pint basis, as under present law. The committee accepted the provisions of the House bill that would broaden the definition of "blood" to include packed red blood cells as well as whole blood and would extend the application of the 3-pint deductible provisions to the supplementary medical insurance program as well as to the hospital insurance program. This provision would encourage donations of blood, as under the House bill, but would not require the beneficiary to increase his payments for blood when he is an inpatient of a hospital and unable to replace as many as 4 pints.

Payment for Certain Hospital Services Furnished Outside the United States

The committee added to the House bill a provision which would permit payment of medicare benefits to the individual for certain inpatient hospital services furnished in a country contiguous to the United States by a hospital which is not more than 50 miles from the border of the continental United States. In the case of nonemergency care, the patient would have to be a U.S. resident and the hospital would have to be the nearest one to the patient's residence which is suitable to treat his illness. Benefits would be payable for the non-emergency services covered under this provision only on the basis of an application for direct reimbursement filed by the medicare beneficiary and only if the hospital met standards that are essentially comparable to those required of hospitals participating under the program in the United States. This provision would relieve the hardship imposed on the medicare beneficiary who, living in an area of the United States that is directly adjacent to the continental border,

finds that the nearest hospital suited to his care is located outside the United States. The committee bill also provides that payment may be made for emergency inpatient hospital services furnished outside the United States in a hospital within 50 miles of the border if the beneficiary is a U.S. resident temporarily outside the United States (present law provides emergency coverage outside the United States only if the emergency occurs in the United States).

Hospital Insurance Benefits for State and Local Employees

The committee added to the House bill a provision which would permit the States, at their option, to contract with the Secretary of Health, Education, and Welfare for hospital insurance coverage for State and local governmental employees, retired or active (and their dependents and survivors), age 65 or over who do not otherwise qualify for medicare hospital insurance protection. The States would reimburse the medicare program for the actual costs of benefits paid and administrative expenses incurred with respect to these employees.

Services of Podiatrists, Chiropractors, and Optometrists

The House bill modified the definition of a physician to include a doctor of podiatry. The committee would also include within the definition of physician, a chiropractor and a doctor of optometry but only with respect to functions the practitioner is authorized to perform by the State in which he practices. With respect to coverage of podiatry services, no payment would be made for routine foot care whether performed by a podiatrist or a medical doctor; with respect to optometric services, no payment would be made for services involving the diagnosis or detection of eye diseases unless the optometrist is legally authorized to treat the disease or for an optometrist's diagnostic services where the optometrist provides no treatment. In addition, no payment would be made for expenses for eye refraction procedures (other than procedures performed in connection with furnishing prosthetic lenses) whether performed by an optometrist, a medical doctor, or other physician.

Physical Therapy

The committee extended the provisions of the House bill which cover physical therapy when provided in a patient's home under the supervision of a hospital to also cover outpatient physical therapy services furnished by physical therapists employed by or under an agreement with and under the supervision of hospitals and other providers of services as well as approved clinics, rehabilitation centers and local public health agencies. The patient would not have to be homebound for the physical therapy services to be covered.

Supplementary Medical Insurance Enrollment Periods

The committee added to the House bill a provision effective January 1, 1969, under which the general enrollment periods of the supplementary medical insurance program would be placed on an annual basis and run from January 1 to March 31, rather than October 1 to December 31 of each odd-numbered year as under present law. The Secretary would determine and promulgate during December of each year the premium rate which would be applicable for a 12-month period to begin the following July 1. When the Secretary promulgates a rate change for part B, he would also be required to issue a public statement setting forth the actuarial assumptions and

other bases upon which he arrived at the new rate. Persons wishing to disenroll could do so at any time, but such disenrollment would not take effect until the close of the calendar quarter following the quarter in which the notice of disenrollment was filed.

Additional Days of Hospital Care

The committee modified the provisions of the House bill which extend the number of hospital days covered during a "spell of illness" from 90 to 120 days, with a \$20 coinsurance requirement from the 91st day through the 120th day. Instead, each medicare beneficiary would be provided with a lifetime reserve of 60 days of added coverage of hospital care after the 90 days covered in a "spell of illness" have been exhausted. Coinsurance of \$10 for each day would be applicable to such added days of coverage. Under the House bill persons who are more or less permanently institutionalized, and who therefore have only one spell of illness during their lifetime would qualify for only 30 additional days of hospital care. Under the committee provision they would qualify for up to 60 additional days of care during their lifetime.

Incentive Reimbursement Experimentation

The committee modified the House provision which would authorize the Secretary of Health, Education, and Welfare to experiment with various methods of reimbursement to organizations and institutions participating under medicare, medicaid, and the child health programs which would provide incentives for keeping costs of the program down while maintaining quality care. Under the committee bill, the authorization would also cover similar experiments with respect to physicians' services, but only with physicians who wished to take part.

Coordination of Reimbursement With Health Facility Planning

The committee added a provision under which the Secretary of Health, Education, and Welfare would take into account any disapproval by State agencies, normally those carrying on planning under the Partnership for Health Act, of expenditures by hospitals or other health facilities for substantial capital items. Depreciation and interest attributable to substantial capital items found not in accordance with a State's overall plan would not be includable as a part of the "reasonable cost" of covered services provided to individuals under titles V, XVIII, and XIX. The provision would be effective with respect to depreciation and interest attributable to items purchased or otherwise acquired after June 30, 1970, or earlier at the option of a state.

Study of Drug Proposals

The committee added to the House bill a provision which would require the Secretary to study and report to the Congress, prior to January 1, 1969, the savings which might accrue to the Government and the effects on the health professions and on all elements of the drug industry which would result from enactment of two proposals relating to drugs: (1) a proposal to cover prescription drugs under medicare, and (2) a proposal to establish, through a formulary committee, quality and cost control standards for drugs provided under the various Federal-State assistance programs and the hospital insurance part (part A) of the medicare program.

II. PUBLIC WELFARE AMENDMENTS

Work Incentive Program for AFDC Families

The committee modified the provisions of the House bill by establishing a new work incentive program for families receiving AFDC payments to be administered by the Department of Labor and by defining more precisely than in the House bill those AFDC recipients who would be referred to the program. The State welfare agencies would decide who was appropriate for such referral but would not include (1) children who are under age 16 or going to school; (2) any person with illness, incapacity, advanced age or remoteness from a project that precludes effective participation in work or training; (3) persons whose substantially continuous presence in the home is required because of the illness or incapacity of another member of the household; or (4) a mother who is in fact caring for one or more children of preschool age, if such mother's presence in the home is necessary and in the best interest of the children; (5) or persons whose participation in the program would not as determined by the State be in their best interest and that of the program. For all those referred the welfare agency would assure necessary child care arrangements for the children involved. An individual who desires to participate in work or training would be considered for assignment and, unless specifically disapproved, would be referred to the program.

People referred by the State welfare agency to the Department of Labor would be handled under three priorities. Under phase I, the Secretary of Labor, through the over 2,000 U.S. employment offices, would make arrangements for as many as possible to move into regular employment and would establish an employability plan for each other person.

Under phase II all those found suitable would receive training appropriate to their needs and up to a \$20 weekly incentive payment. After training as many as possible would be referred to regular employment.

Under phase III, the employment office would make arrangements for special work projects to employ those who are found to be unsuitable for the training and those for whom no jobs in the regular economy can be found at the time. These special projects would be set up by agreement between the employment office and public agencies or nonprofit agencies organized for a public service purpose.

It would be required that workers receive at least the minimum wage (but not necessarily the prevailing wage) if the work they perform is covered under a minimum wage statute.

Moreover, the work performed under such projects must not result in the displacement of regularly employed workers and would have to be of a type which, under the circumstances in the local situation, would not otherwise be performed by regular employees.

The special work projects would work like this: The State welfare agency would make payments to the employment office equal to:

- (1) The welfare benefit the family would have been entitled to for each individual who works in the project, or, if smaller,
- (2) That part of the welfare benefit equal to 80 percent of the wages which the individual receives on the special project.

The Secretary of Labor would arrange for the participants to work in a special work project. The amount of the funds paid by him into the project would depend on the terms he negotiates with the agency sponsoring the project. The amount of funds put into the projects by the employment office could not be larger than the funds sent to the Secretary of Labor by the State welfare agency.

The extent to which the State welfare expenditures might be reduced would depend upon the negotiating efforts of the Secretary of Labor. If he is successful in placing these workers in work projects where the pay is relatively good, the contribution the State must make into the employment pool would be less.

Employees who work under these agreements would have their situations reevaluated by the employment office at regular intervals (at least every 6 months) for the purpose of making it possible for as many such employees as possible to move into regular employment.

An important facet of this suggested work program is that in most instances the recipient would no longer receive a check from the welfare agency. Instead, he would receive a payment from an employer for services performed. The entire check would be subject to income, social security, and unemployment compensation taxes, thus assuring that the individual would be accruing rights and responsibility as other working people. In those cases where an employee receives wages which are insufficient to raise his income to a level equal to the grant he would have received had he not been in the project plus 20 percent of his wages, a welfare check equal to the difference would be paid. In these instances the supplemental check would be issued by the welfare agency and sent to the worker.

A refusal to accept work or undertake training without good cause by a person who has been referred would be reported back to the State agency by the Labor Department; and, unless such person returns to the program within 60 days (during which he would receive counseling), his welfare payment would be terminated. Protective and vendor payments would be provided to protect dependent children from the faults of others. Under the House bill, such payments would be optional with the States but under the committee proposal the children must be given this protection.

Earnings Exemption

Under the present aid to families with dependent children program, 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 in computing a person's income for public welfare purposes. The States also have the option of disregarding \$5 of income from any source before applying the child's earned income exemption.

Under the House bill, all earned income of each child recipient under age 16 and of each child age 16 to 21 who is a full-time student would

be excluded in determining need for assistance. In the case of a child over 16 who is not in school or an adult relative the first \$30 of earned income of the group plus 1/4 of the remainder of such income for the month would also be exempt. The option of the States to disregard \$5 a month of any type of income would be continued. The provision exempting \$50 a month of a child's income would be superseded by these provisions.

Under the committee bill, the earnings exemption provision would be enlarged to require States to exempt the first \$50 and one-half of family earnings over \$50 rather than \$30 and one-third of family earnings above \$30. After July 1, 1969, the same earnings exemption would have to be extended to the old-age assistance program and the aid to the permanently and totally disabled program.

Under the committee bill the exemption of all earnings would not be available to any child whether above or below age 16 unless he was attending school full time.

Limitation on Federal Participation in Medical Assistance (Medicaid)

Under the House bill, States would be limited in setting income levels for Federal matching purposes to the lower of (1) 133 1/3 percent of the AFDC income level, or (2) 133 1/3 percent of the States per capita income applied to a family of four.

In lieu of the House provisions the committee bill would apply both of the following provisions:

(1) Beginning July 1, 1968, the Federal Government would not participate in matching the cost of medical assistance to persons whose income exceeds 150 percent of the old-age assistance standards in a given state; and

(2) Beginning July 1, 1969, Federal participation will be at the rate of—

(1) The Federal medical assistance percentage (which varies according to States per capita income from 50 percent to 83 percent) applicable with respect to all cash assistance recipients and persons whose incomes are less than 100 percent of the cash assistance standards in a State; and

(2) The square of the Federal medical assistance percentage (which gives a result which varies between 25 percent and 68.89 percent) with respect to the medically needy (subject to the limitation in (1) above).

This formula results in savings to the Federal Government of the following amounts.

Year:	Amount (in millions)
1969.....	\$45
1970.....	702
1971.....	998
1972.....	1,294

After the squaring rule becomes effective in 1969 the savings under the House bill and the Senate amendment are approximately the same. The lower savings under the amendment estimated for 1969 results entirely from the application of a higher standard (the old-age assistance standard) in determining who may be covered under the State plan than the House bill employed (the aid to families with dependent children).

Skilled Nursing Home Standards Under Medicaid

The bill would require the States, as a condition to participation in the medicaid program, to place assistance recipients only in those licensed nursing homes which meet certain conditions. The conditions include requirements which relate to environment, sanitation, and housekeeping now applicable to extended care facilities under medicare, as well as fire safety standards of the Life Safety Code of the National Fire Protection Association (unless the Secretary finds that a State's existing fire code is adequate).

The committee amendment would also require the States to have a professional medical audit program under which periodic medical evaluations of the appropriateness of care provided title XIX patients in nursing homes, mental hospitals, and other institutions will be made.

Effective July 1, 1970, States which provide skilled nursing home care under medicaid will also be expected to provide home health care services.

Federal Matching for Assistance Recipients in Intermediate Care Facilities

Under current law, vendor payments may be made with Federal sharing only in behalf of persons in medical facilities, such as skilled nursing homes. There is no Federal vendor-payments matching for people who need institutional care in the intermediate range between that which is provided in a boarding house (for which eligible persons may receive a money payment under the money payment programs), and those who need the comprehensive services of skilled nursing homes.

The committee bill would provide for a vendor payment in behalf of persons who qualify for OAA, AB, or APTD, and who are living in facilities which are more than boarding houses but which are less than skilled nursing homes. The rate of Federal sharing for payments for care in those institutions would be at the same rate as for medical assistance under title XIX. Such homes would have to meet safety and sanitation standards comparable to those required for nursing homes in a given State.

This provision should result in a reduction in the cost of title XIX by allowing States to relocate substantial numbers of welfare recipients who are now in skilled nursing homes in lower cost institutions.

Maintenance of State Effort

Present law contains certain provisions which in effect require that the additional Federal dollars States received as a result of the Social Security Amendments of 1965 are passed on to recipients or are otherwise used in the State's welfare program, for a period ending July 1, 1969. The House approved bill modifies the provisions describing the kinds of expenditures States may count toward meeting this provision to broaden the scope of expenditures which may be counted. Under the committee bill, the House provisions are retained, but the expiration date is advanced to July 1, 1968, and the effective date changed from January 1, 1966, to July 1, 1966.

Direct Billing

Under present law, the States are required to pay for health services under medical assistance programs directly to the provider of the services. The House bill would permit States to make a direct payment to the recipient for physicians' services with respect to those medical assistance recipients who are not also receiving cash assistance. Under the committee bill, the provision is broadened to include dentists as well as physicians and to apply also to those recipients who are receiving cash assistance. The Secretary would establish safeguards to assure that charges by physicians to the welfare recipients are reasonable, and that the State agency has methods and procedures to safeguard against unnecessary utilization of care, and to assure the reasonableness of any charges paid by any welfare recipient.

General Accounting Office and Department of Health, Education, and Welfare Audit Authority

Under the committee bill, it would be made clear that auditors of the General Accounting Office and Department of Health, Education, and Welfare are authorized, on a spot check basis or in cases where there is good cause to believe fraud may be present, to review records and inspect premises of providers of services who receive funds through medical assistance (title XIX) and other medical assistance programs in which there is Federal participation.

Required Services Under Medicaid

Under current law, States must provide, as a minimum, five basic services: Inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services, and physician's services. States may select a number of other items from an additional list in the law. The House bill provided that a State, as an alternative to taking the basic five items of services, may select any seven of the first 14 services listed in the law. In addition to the basic five, the additional services from among which States can make their selection are: (1) Medical care or any type of remedial care recognized under State law, furnished by a licensed practitioner within the scope of his practice as defined under State law; (2) home health care services; (3) private duty nurse 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 the age of 65 in an institution for mental diseases.

Under the committee bill, States would be required to provide the basic five services for all money payment recipients, the most needy receiving help under the program. With respect to the medically indigent, States would be allowed to select either the first five, or seven out of 14, services authorized under present law, except that if nursing home or hospital care services are selected, a State must also provide physician's services in those institutions. Subsequent to July 1, 1970, a State would also be required to provide home health services for its cash assistance recipients.

Christian Scientists—Welfare Health Programs

The committee added a provision to the House bill under medical assistance (title XIX) and the child health programs (title V), to make clear that no provision in such titles would require an individual to undergo medical screening, diagnosis, or treatment except in cases involving contagious disease or environmental health.

Hospital Deductibles and Copayment for Medically Indigent

Under present law, States may not impose any deductibles or cost sharing provisions with respect to hospital care under the medicaid program. Under the committee bill, the costs of hospital care received by the medically needy could be subject to deductibles or other cost sharing if a State desired to have such provisions in its program. No such deductible or cost sharing could be imposed with respect to the money payment recipients, as under existing law.

Essential Person—Medicaid

The committee bill extends medical assistance to certain "essential persons." At present there is no provision in title XIX which permits a State to receive Federal matching for medical assistance provided to "essential persons." An "essential person" is defined as the spouse of a cash public assistance recipient who is living with him, and essential or necessary to his welfare and whose needs are taken into account in determining the amount of his cash payment. The wife of an OAA recipient, for example, who herself is not eligible for cash assistance because she is under age 65 could be eligible for medical assistance if the State plan so provided.

Licensing of Nursing Home Administrators Under Medicaid

The committee bill includes an amendment which would require States to license administrators of nursing homes. Administrators currently operating a home who do not qualify initially would have until July 1, 1972, to qualify. In the meantime, the States would be required to offer programs of training to assist administrators to qualify.

Optometric Services Under Child Health Programs

The committee bill includes a provision to insure that persons receiving health services under child health programs are free to utilize the services of optometrists when appropriate. The provision recognizes that when health services are provided through a public clinic or on a similar basis that the inclusion of optometric services may not always be feasible.

Family Planning

Family planning expenditures are now made under the maternal and child health program in title V and through medical assistance under title XIX, as a medical services expenditure. States are free to offer family planning services to AFDC recipients under title IV, but there are no Federal requirements. Under the House-approved bill, the States would be required to offer family planning services to all

appropriate AFDC recipients. Federal matching of these expenditures would be provided. Under the House bill, authorization for the maternal and child health programs would be increased and, though funds are not earmarked for family planning, an estimated \$15 million would be spent for that purpose under the 1969 authorization, with some increases thereafter. Demonstration projects would need to be developed for the provision of family planning services for mothers in needy areas.

Under the committee bill, the House provisions in the AFDC program are retained with language added to clarify that the acceptance of family planning services would be voluntary and not a requisite for the receipt of assistance. The House-approved amounts for the maternal and child health program would be raised by \$30 million in 1970, and \$60 million for later years, with an eventual 20 percent of all maternal and child health funds earmarked for family planning purposes.

Administration of the Program for Services for Crippled Children

The House bill combined maternal and child health services and crippled children's services into one program and consolidated the authorizations. The committee bill goes further and assures administration of the crippled children's program by the Children's Bureau.

Training of Personnel for Health Care and Related Services for Mothers and Children

The committee has modified the House language to direct the Secretary of Health, Education, and Welfare "to give special attention to" rather than "priority to" programs providing training at the undergraduate level in making grants for training of such personnel.

Increased Authorizations for Child Welfare Services

The House bill increased child welfare authorizations from \$55 million for fiscal year 1969 to \$100 million, and from \$60 million for later years to \$110 million. The committee bill would further increase these authorizations to \$125 million and \$160 million respectively. The greater amounts in the committee bill are designed to meet the day care costs of working women who are not AFDC recipients.

Provision of Family Service State Plan Requirement

There is a provision in present law requiring State welfare agencies to make a plan for providing welfare service for each child in an AFDC family. Under the committee bill, the plan would also have to provide for welfare services for the adults in the family.

Study of Services Given to Recipients

The committee bill directs the Secretary to study and report to the Congress, by July 1, 1969, the extent to which staff of welfare agencies are serving the needs of assistance recipients in securing the full benefits and protection of local, State, and Federal laws relating to health, housing, and related laws and the degree to which assistance

recipients are helped to take advantage of the public welfare and other related programs in the community. The report is to contain the Secretary's recommendations on how these services might be made more effective. The study is to include the Secretary's findings and recommendations on the extent to which public assistance programs may be used as a means of enforcing State, local, and Federal law in the field of health, housing, and related laws.

Use of Subprofessional and Volunteer Staff

The committee bill requires the States, effective July 1, 1969, to train and use subprofessional staff, with particular emphasis on the use of welfare recipients and other persons of low income, as community service aides for the kinds of jobs appropriate for them in the public assistance, child welfare, and health programs under the Social Security Act. The committee amendment would also direct the States to make use of volunteers in the program both for the provision of service to recipients, and to serve on advisory committees.

Parent Involvement in Day Care—Day Care Standards

The committee bill adds a State plan requirement to the child welfare day-care provisions for development of arrangements for the more effective involvement of parents in day care programs. Also, the day care standards in the child welfare services programs will be made applicable to day care provided to AFDC children.

Repatriation Extension

The committee bill would extend for 1 year, until July 1, 1969, the temporary legislation which authorizes assistance to Americans who have been repatriated to the United States by the Department of State from foreign countries.

Demonstration Projects

Two million dollars annually is currently available to encourage the States to develop demonstrations in improved methods of providing service to recipients or in improved methods of administration. The House approved bill increased this amount to \$4 million annually. The committee amendment provides for \$10 million a year.

Increasing Income of Old-Age Assistance Recipients

Under the committee bill, the States would be required to adjust their standards of need and maximum payment provisions to guarantee that old-age assistance recipients, both those eligible for social security benefits (about 1 million) and those who are not (also about 1 million) will receive, on the average, an increase in total income equal to \$7.50 a month. Any increases the States have made in OAA payments since January 1, 1967, would count toward this requirement. The effect of this requirement is that old-age assistance recipients as a group will share in the savings which the States will realize because of reduction in assistance payments for those recipients who are also eligible for the social security benefit increase.

Many States can finance this increase in payments out of the savings they will realize from the increase in social security benefits. For those States unable to finance the cost of this increase from the savings it will achieve from the social security increase, the Federal Government will pay the cost for a 2-year period. This provision would also apply to the blind and disabled public assistance recipients.

Limitation on Federal Matching in AFDC Program

The House bill sets a limitation on Federal financial participation in the AFDC program related to the proportion of the child population that could be aided because of the absence from the home of a parent. Federal financial participation would not be available for any excess above the percentage of children of absent parents who received aid to the child population in the State as of January 1, 1967.

This limitation is not retained in the committee bill.

Single State Agency

Under the House approved bill, States would be required to provide all the child welfare services needed by children under the program of aid to families with dependent children under a single State and local agency. The committee bill modifies this to exempt those separate State agencies which were in existence on July 1, 1967, namely those agencies in Illinois and Kentucky.

States are also exempted from the requirements for single local agencies.

Simplicity of Administration

The committee bill includes a requirement that States determine eligibility and provide assistance under their cash assistance program in a manner consistent with simplicity of administration and the best interest of recipients.

Emergency Assistance

The committee bill would extend from 30 to 60 the number of days during a 12-month period during which emergency assistance authorized by the House bill may be provided to a child under 21 and to his family. This emergency aid could also be extended to migrant workers who have dependent children.

Protective or Vendor Payments

The House bill removes the limitation of 5 percent of recipients for whom protective payments could be made because they were unable to manage their funds. The committee bill would put a 10-percent limitation on the number of recipients for whom the State can make vendor payments or protective payments but excludes from this overall limitation those recipients for whom such payments have been made because of the refusal, without good cause, of an individual to work, register for work, or to participate under a training or work program.

Payment for Home Repairs

The House bill amended the cash public assistance programs, other than the AFDC program, to allow 50 percent Federal matching for home repairs (up to \$500) if to do so would be more economical from the standpoint of the program. The committee bill would extend this provision to the AFDC program.

Unemployed Fathers Program

The committee bill removes certain provisions contained in the House bill which affect eligibility of children on AFDC when their father is unemployed. Specifically, the requirement that the father have six calendar quarters of work or have been entitled to unemployment compensation would be removed. In addition, the committee bill would restore present provisions under which a State may at its option make payments for any part of a month in which the father received any unemployment compensation. Under the House bill, receipt of any unemployment compensation would bar assistance for the month.

Purchase of Social Services

The House bill permits the purchase by welfare agencies of child care and other services under title IV of the act, aid to families with dependent children. Such services may now be provided by welfare agency staff but existing law does not permit their purchase except from other State agencies.

The committee bill makes a similar change in titles I, X, XIV, and XVI under which Federal participation in payments to aged, blind, and disabled persons is authorized, thereby permitting the purchase of such services as homemaker or rehabilitation services under programs authorized under those titles.

III. EMPLOYMENT AND INCOME TAX AMENDMENTS

Runaway Parents Location and Liability

In an attempt to compel a parent who deserts or abandons his dependent child to comply with a child-support court order, the House bill required disclosure of the address of the parent or his employer to the court issuing the order and provided for Federal participation in the cost of a State agency entering into an agreement with law-enforcement personnel to press collection of the support payment.

The committee added a provision to give the State agency making payments to the family with a dependent child in which a parent has deserted and failed to make support payments, the assistance of the Department of Health, Education, and Welfare, and the Treasury Department in locating the parent. If the runaway parent is located outside the State where his dependent children reside and if he refuses to comply with the court order for their support, the tax collector is to collect by levy or distraint an amount equal to the Federal share of the welfare payments to his family or the court-ordered support payment whichever is lower.

The committee amendment also makes information regarding the runaway parent's whereabouts available to both courts in interstate support proceedings.

Tax-Exempt Status for Entities Servicing Tax-Exempt Hospitals

The committee added to the House bill a provision which would extend tax-exempt status to a joint enterprise organized and operated on a cooperative basis to perform joint services solely to its members all of which are tax-exempt hospitals or governmentally owned hospitals and which services would be considered an integral part of the tax exempt or governmental functions of the hospitals if performed by the hospitals individually.

Medical Expense Tax Deduction for Aged

The committee added to the House bill a provision that would restore with a qualification the Federal income tax treatment of medical care and drug expenses of persons 65 years of age and over which had been changed by the Social Security Amendments of 1965. Before the 1965 change, an income tax deduction was permitted for all the medical care and drug expenses of a taxpayer 65 or over or of the dependent parents, age 65 or over, of the taxpayer or his spouse. However, the 1965 amendments provided, effective in 1967, that the deduction for persons 65 and over would be limited to expenses of medical care in excess of 3 percent of the taxpayer's adjusted gross income, and the cost of medicines and drugs would be treated as a medical expense only to the extent they exceed 1 percent of

the taxpayer's adjusted gross income. (These limitations generally have applied in the case of taxpayers under age 65.)

The committee amendment would make the medical care and drug expenses of a person 65 or over fully deductible without regard to the 3-and-1-percent limitation, if the person 65 or over waives all future entitlement to all medicare benefits upon reaching age 65, or within 1 year after enactment of the bill, whichever is later.

Hospital Insurance Contributions by Persons Employed Both Under Social Security and Railroad Retirement

The committee has added to the House bill a provision under which, beginning with 1968, persons employed both under the social security and railroad retirement programs who pay hospital insurance contributions on combined wages which are in excess of the taxable wage base would be entitled to a refund of the excess contributions.

Truckloaders and Unloaders and Certain Fishermen

This committee amendment clarifies the status of truckloaders and unloaders and certain commercial fishermen by fixing rules under which the trucker or owner of the vessel will be treated as their employer for employment tax purposes. It also provides rules for treating other persons as the employer in appropriate situations. Under the amendment the persons treated as employers would be liable for employment taxes in 1968 but the employees would be treated as if their work had been in covered employment from 1951 on.

Time for Filing Applications for Exemption From Self-Employment Tax by Amish

The committee added an amendment to permit members of a religious sect which is opposed to social insurance to file an application for exemption from the self-employment tax by December 31, 1968, if the person has self-employment income for years ending before December 31, 1967. If he first receives self-employment income in later years, the application would be timely if filed by the due date for the income tax return for the year in question. However, in these latter cases, the amendment also provides that valid applications may be filed within 3 months following the month in which the person is notified in writing by the Internal Revenue Service that a timely application has not been filed.

Designation Of Employer Of Employees Performing Services For Tax-Exempt Organizations

The committee added to the House bill a provision which would authorize the Treasury Department, upon the request of tax-exempt organizations all of which are being provided with services by the employees of one, to designate which organization is to be considered the employer for purposes of employment taxes and pension plans.

PROVISIONS OF H.R. 12080 WHICH WERE NOT CHANGED BY THE COMMITTEE

I. Old Age, Survivors, Disability, and Health Insurance Program

The committee accepted the following provisions of the House bill:

A. OLD-AGE, SURVIVORS AND DISABILITY INSURANCE

The Dependency of the Child on His Mother

The provision under which 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.

Eligibility of Adopted Child for Monthly Benefits

The provision which would permit a child adopted by a surviving spouse to get benefits even though the adoption is not completed within 2 years after the worker's death, if adoption proceedings had begun before the worker died.

Definition of "Disability"

The provision which 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 provision which 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.

Additional Wage Credits for Servicemen

For social security benefit purposes, the provision which 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.

Definition of "Widow," "Widower," and "Stepchild"

The provision under which 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.

Disability Benefits Affected by the Receipt of Workmen's Compensation

The provision would modify one of the provisions in present law for determining the amount of combined social security and workmen's compensation benefits that can be paid when a disabled worker is eligible under both programs. In cases where social security disability benefits are subject to reduction because the combined benefits would otherwise exceed 80 percent of the disabled worker's average current earnings, the computation of average earnings can include earnings in excess of the annual amount taxable under social security.

Limitation on Wife's Benefit

The provision under which 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.

Retirement Income of Retired Partners

The provision under which certain partnership income of retired partners would not be taxed or credited for social security purposes.

Simplification of Benefit Computation

Where wages earned before 1951 are used in the benefit computation, the provision which 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 provision which would eliminate the possibility of this occurring in the future.

Coverage of State and Local Employees Ineligible for Membership in a State Retirement System

The provision that would facilitate social security coverage for workers in positions under a State or local government retirement system who are not eligible to join the system. Under present law, these workers cannot be covered under social security in connection with the procedure for extending coverage to members of a retirement system by means of the provision permitting specified States to cover only those members of a retirement system who desire coverage. The provision in the bill would permit these workers to be covered under this procedure.

Exclusion of Emergency Services by State and Local Employees

The provision that would mandatorily exclude from social security coverage services performed for a State or local government by workers hired on a temporary basis in case of emergencies such as fire, storm, flood, or earthquake.

Election Officials and Election Workers

The provision which would permit a State to exclude from social security coverage, prospectively, service performed by election workers and election officials if they are paid, for such services, less than \$50 in a calendar quarter. The exclusion could be taken for the election officials and workers of the State or any of its political subdivisions either at the time coverage is extended to employees of the State or the subdivision or at a later date. Under present law these services may be excluded only at the time coverage is extended to the employees of the State or the subdivision.

State and Local Coverage in Illinois

The provision to add Illinois to the list of States (19 under present law) which are permitted to extend social security coverage to those current members of a State or local retirement system who desire coverage, with all future employees being compulsorily covered.

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.

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.

Disability Insurance Trust Fund

The bill would increase the percentage of taxable wages appropriated to the disability insurance trust fund (now at 0.70 of 1 percent) to 0.95 of 1 percent and would increase the percentage of self-employment income (now at 0.525 of 1 percent) to 0.7125 of 1 percent.

B. Health Insurance*Physician Certification*

The provision under which physician certification of the medical necessity for hospital outpatient services and admissions to general hospitals would be eliminated. Such services and admissions are almost always medically necessary. The change would simplify administration of the program by eliminating unnecessary paperwork.

Transfer of Outpatient Hospital Services to the Supplementary Medical Insurance Program

The provision which transfers hospital outpatient diagnostic services from the hospital insurance program to the supplementary medical insurance program. 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). This provision would simplify the procedure for paying benefits for 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.

Hospital Billing for Outpatient Services

The provision which permits hospitals, as an alternative to the present procedure, to collect small charges (if not more than \$50) for outpatient hospital services from the beneficiary without submitting a bill to medicare. (The amounts collected would be counted as expenses reimbursable to the beneficiary under the medical insurance plan.) The payments due the hospitals would be computed at intervals to assure that the hospital received its final reimbursement on a cost basis. This provision would bring the requirements of the medicare program more closely into line with the usual billing practices of hospitals.

Radiologists' and Pathologists' Services

The provision which would permit the payment of full reasonable charges for radiological or pathological services furnished by physicians to hospital inpatients. Under existing law, a 20 percent coinsurance is applicable. This provision would improve the protection of the program as well as facilitate beneficiary understanding and simplify hospital and intermediary handling of medicare claims by bringing the requirements of the medicare program more closely in line with the usual billing practices of hospitals and the payment methods of private insurance.

Payment for Portable X-ray Services

The provision which would permit payment for diagnostic X-rays taken in a patient's home or in a nursing home. These services would be covered under the supplementary medical insurance program if they are provided under the supervision of a physician and if they meet health and safety regulations.

Payment for Purchase of Durable Medical Equipment

The provision which would permit payment to be made for durable medical equipment needed by an individual whether rented or purchased. If purchased, payment would be made periodically in the same amount as if equipment were rented, for the period the equipment was needed but without covering more than the purchase price.

Reimbursement for Civil Service Retirement Annuitants for Premium Payments Under the Supplementary Medical Insurance Program

The provision under which the 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.

Date of Attainment of Age 65 of Persons Enrolling in SMI Program

The provision under which a person 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.

Use of State Agencies To Assist Health Facilities To Participate in the Various Health Programs Under the Social Security Act

The provisions whereby 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.

Transitional Provisions for Uninsured Individuals Under the Hospital Insurance Program

The provision which provides that 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), with the number of quarters of coverage needed by persons who reach age 65 in later years increasing by three in each year until the regular insured status requirement is met.

Appropriation to Supplementary Medical Insurance Trust Fund

The provision which provides that whenever the transfer of general revenue funds to the supplementary medical insurance trust fund, after June 30, 1967, is not made at the time the enrollee contribution is made, the general fund of the Treasury would pay, in addition to the Government share, an amount equal to the interest, that would have been 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 provision whereby 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.

Study of Coverage of Services of Health Practitioners

The provision which 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.

Creation of an Advisory Council To Make Recommendations Concerning Health Insurance for Disability Beneficiaries

The provision which 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.

II. Public Assistance Amendments**A. AFDC AND CHILD WELFARE*****Federal Payments for Foster Home Care of Dependent Children***

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.

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 3 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.

B. TITLE XIX AMENDMENTS

Coordination of Title XIX and the Supplementary Medical Insurance Program

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

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.

Extent of Federal Financial Participation in State Administrative Expenses

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

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

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

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

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.

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.

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.

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 work incentive 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.

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