

[CONFERENCE COMMITTEE PRINT]

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**MAJOR DIFFERENCES IN PRESENT LAW AND THE
SOCIAL SECURITY AMENDMENTS OF 1964 (H.R.
11865) AS PASSED BY THE HOUSE OF REPRESENTATIVES AND THE SENATE**

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**BRIEF SUMMARY OF MAJOR DIFFERENCES BETWEEN THE HOUSE
AND SENATE VERSIONS OF THE SOCIAL SECURITY AMENDMENTS
OF 1964**

Senate deletion of House provisions

1. The 5-percent across-the-board increase (\$5,400 wage base) was dropped and a \$7 a month increase (\$5,600 wage base) for primary beneficiaries was substituted, with proportionate increases for other beneficiaries. (See p. 10.)
2. Coverage of doctors of medicine. (See p. 3.)
3. Coverage of cash tips. (See p. 4.)
4. Elimination of general prohibition against coverage of policemen and firemen. (See p. 5.)
5. Prohibition of automatic railroad retirement tax increase because of social security tax increase. (See p. 13.)

Senate additions to the bill

Social Security

1. King-Anderson-type medical care for the aged plan with only substantial differences being the 60 days of nursing home care (instead of 180) and a cost-sharing device which will increase or impose a deductible in 1969, or after, if hospital costs rise without corresponding wage base increase. Hospital services, outpatient diagnostic, and home health services effective beginning July 1, 1965, with skilled nursing home services beginning January 1, 1966. Added Javits complementary private health insurance plan modified so as to remove exemption from regulation by a State or political subdivision, Federal or State income taxation, and State taxes on policies or premiums. (See p. 21.)
2. Modifies social security earned income limitation so that first \$1,500 of earnings (now \$1,200) is wholly exempted and there will be \$1 reduction in benefits for \$2 in earnings on the next \$1,500 (now \$500). (See p. 12.)
3. Liberalizes the disability insurance definition of blindness and reduces insured status requirement to six quarters for those who meet definition. (See p. 8.)
4. Modifies the definition of "child" for benefit purposes so as to include a child who is not a child of the wage earner but has lived with the wage earner and for whom the wage earner has assumed responsibility for support. (See p. 9.)
5. Exempts, for social security coverage and tax purposes, self-employment income of members of certain religious groups which are conscientiously opposed to public or private insurance; have been in existence for at least 6 years; and make provision for the needs of their members. (See p. 3.)
6. Extends, where good cause exists, the period for filing proof of support for dependent husbands, widowers, and parent's benefits and lump sum death payments. (See p. 10.)
7. Revises financing (see p. 12) so as to increase the present wage base of \$4,800 (\$5,400 in House bill) to \$5,600, effective in 1965, and revise the tax rates in the following manner:

[In percent]

Calendar year	Employee rate ¹		Self-employed rate	
	House bill	Proposal	House bill	Proposal
1965.....	3.8	4.25	5.7	6.4
1966-67.....	4.0	4.50	6.0	6.8
1968-70.....	4.5	5.00	6.8	7.5
1971 and after.....	4.8	5.20	7.2	7.8

¹ Same rate for employer.

Veterans' Benefits

1. Exempts social security benefit increases in the bill for VA non-service-connected pension purposes. (See p. 13.)

Railroad Retirement

1. Provides that social security benefit increases will be reflected in so-called social security minimum guarantee provision of Railroad Retirement Act. (See p. 13.)
2. Provides for the payment of a railroad retirement child's benefit as to children beyond age 18, but less than 22, who are fulltime students in schools or colleges. The language parallels provision in the bill for the child's benefit under the social security system. (See p. 13.)

Public Assistance

1. Revises matching formula for the needy aged, blind, and disabled (and for combined program, title XVI) to provide a Federal share of \$31 out of the first \$37 (now 29/35ths of the first \$35) up to a maximum of \$75 (now \$70) per month per individual on an average basis. Revises matching formula for aid to families with dependent children so as to provide a Federal share of 5/6ths of the first \$18 (now 14/17ths of the first \$17) up to a maximum of \$32 (now \$30). A provision is included so that States will not receive additional Federal funds except to the extent they pass them on to individual recipients. (See p. 14.)
2. Removes exclusion from Federal matching in old-age assistance and medical assistance for the aged programs (and for combined program, title XVI) as to aged individuals who are patients in institutions for tuberculosis or mental diseases, or who have been diagnosed as having tuberculosis or psychosis and, as a result, are patients in a medical institution. Also requires as condition of Federal participation in such payments to, or for, mental patients certain agreements and arrangements to assure that better care results from the additional Federal money. Provides that States will receive no more in Federal funds under this provision than they increase their expenditures for mental health purposes under public health and public welfare programs. (See p. 18.)
3. Adds a provision for protective payments to third persons on behalf of old-age assistance recipients (and recipients on combined title XVI program) unable to manage their money because of physical or mental incapacity. (See p. 20.)
4. Increases earnings exemption under old-age assistance programs (and aged in combined program) so that a State may, at its option, exempt the first \$20 (now \$10) and one-half of the next \$60 (now \$40) of a recipient's monthly earnings. (See p. 18.)
5. Modifies definition of medical assistance for the aged so as to allow Federal sharing as to old-age assistance recipients for the month they are admitted to or discharged from a medical institution. (See p. 20.)
6. Adds a provision allowing States, until July 1966, to exclude an amount approximating the increases in OASDI benefits under the bill from consideration as income in determining eligibility under public assistance programs. After July 1966, exemption is mandatory. (See p. 18.)

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

I. COVERAGE

Item	Present law	House bill	Senate bill
<p>A. Self-employed:</p> <ol style="list-style-type: none"> 1. Professional groups—physicians. 2. Tax exemption on an individual elective basis of members of certain religious sects. 	<p>Covers all professional groups except physicians.</p> <p>No provision for exemption of members of religious sects.</p>	<p>Covers physicians. Effective for taxable years ending after Dec. 31, 1964.</p> <p>No provision.....</p>	<p>House provision deleted.</p> <p>Would exempt an individual for self-employment coverage and tax purposes upon application if he is a member of a recognized religious sect and is an adherent of the tenets or teachings of the sect by reason of which he is conscientiously opposed to acceptance of benefit of private or public insurance making payments in the event of death, disability, old age, or retirement, or toward the cost of, or providing for, medical care.</p> <p>Such exemption will only be granted if accompanied by evidence of membership and adherence to the tenets of the sect and a waiver of all OASDI benefits on his wage record or the wage record of someone else. If exemption ceases to be effective, waiver will also be ineffective as to benefits based on self-employment income for tax years after exemption has become inoperative.</p> <p>The Secretary of HEW must find that the sect holds the tenets mentioned previously; that it is the practice of the sect, and has been for a substantial period of time, for members of the sect to make provision for their elderly or dependent members which he believes is reasonable in view of their general level of living; and such sect has been in existence and has had such tenets for not less than the 6 full calendar years preceding enactment date.</p> <p>Applications for exemptions for qualified individuals with self-employment income for any taxable year beginning after Dec. 31, 1957, and ending before Jan. 1, 1964, must be filed before the 4th calendar month beginning after date of enactment. In other cases the exemption must be filed by due date of return for the first taxable year beginning after Dec. 31, 1963, for which the individual has self-employment income.</p>

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

I. COVERAGE—Continued

Item	Present law	House bill	Senate bill
<p>B. Employees— 1. Cash tips.....</p>	<p>Tips received by employees are generally not counted as wages. While employees' tips are not mentioned in the law, regulations exclude from wages tips paid directly to an employee, and not accounted for by the employee to the employer.</p>	<p><i>Tips covered.</i> Tips which an employee receives on his own behalf in the course of his employment for an employer, whether the tips are received directly from a customer or through the employer, are specifically covered as wages. However, cash tips of less than \$20 received by an employee in a calendar month in the course of his employment for 1 employer and all noncash tips are excluded.</p> <p><i>Employee obligation.</i> An employee who, in a month, gets tips that are wages is required to furnish to his employer one or more written reports of the tips. Tips are considered "reported" only if they are included in a written statement furnished to the employer on or before the 10th day following the month in which the tips are received, and only to the extent that the employee's social security tax on the tips can be collected by the employer by the close of the 10th day following the calendar month in which the tips were received. Covered tips are deemed paid to employee by employer when reported or on the close of the 10th day of the following month, if not reported. If an employee fails to "report" to the employer any of his covered tips, he is required to pay both the employee tax on the unreported tips and an additional amount equal to the employee tax. The additional tax is waived if the failure to report is due to reasonable cause and not due to willful neglect.</p> <p><i>Employer obligation.</i> The employer is responsible for the employee's social security tax, paying the employer's share of the tax, and including the tips in his quarterly social security report of wages and on his tax withholding statement to the employee only with respect to tips which an employee includes in a written statement furnished to the employer on or before the 10th day following the month the tips are received, and only to the extent that he can collect the employee tax, before the close of the 10th day following the month in which the tips are received, from unpaid wages (not including tips) or from funds turned over to the employer for that purpose.</p>	<p>House provision deleted.</p>

2. State and local government employees.

Covers employees of State and local governments provided the individual State enters into an agreement with the Federal Government to provide such coverage, with the following special provisions:

a. States have the option of covering or excluding employees in any class of elective position, part-time position, fee-basis position, or performing emergency services.

b. Excludes the services of the following persons, specifying that they cannot be included in a State agreement and cannot, therefore, be covered:

- (1) employees on work relief projects;
- (2) patients and inmates of institutions who are employed by such institutions;
- (3) services of the types which would be excluded by the general coverage provisions of the law if they were performed for a private employer, except that agricultural and student services in this category may be covered at the option of the State.

c. Employees who are in positions covered under an existing State or local retirement system may be covered under State agreements only if a referendum is held by a secret written ballot, after not less than 90 days' notice, and if the majority of eligible employees under the retirement system vote in favor of coverage. However, employees in policemen or firemen positions under a State and local retirement system cannot be covered in the agreement. The Governor of a State or his delegate must certify that certain Social Security Act requirements under the referendum procedure have been properly carried out. In most States, all members of a retirement system (with minor exceptions) must be covered if any members are covered.

Reports can be obtained from the employee at other times before the 10th day following the month in which the tips are received, in accordance with regulations prescribed by the Secretary of the Treasury. An employer who is furnished a written statement of tips received in a month before the 10th day following the month in which the tips were received is authorized to deduct the employee's tax on the tips included in the statement from the employee's wages (not including tips) even though at the time the statement is furnished the total amount of the tips reported as received in the month in the course of his employment by the employer is less than \$20. Effective date: Applicable to tips received by employees after 1964.

No change..... No change.

No change..... No change.

Removes coverage bar as to service performed in any policemen's or firemen's position under a retirement system. Requires that when a retirement system covers the positions of policemen or firemen, or both, along with other nonpolicemen and nonfiremen positions, the policemen and firemen must be in separate coverage group with a separate referendum. Effective as to agreements or modification after Nov. 30, 1964. House provision deleted.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

I. COVERAGE—Continued

Item	Present law	House bill	Senate bill
<p>B. Employees—Continued</p>	<p>Employees of any institution of higher learning, (including a junior college or a teachers' college and employees of a municipal or county hospital) under a retirement system can, if the State so desires, be covered as a separate coverage group, and 1 or more political subdivisions may be considered as a separate coverage group even though its employees are under a statewide retirement system.</p> <p>In addition, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees who are members or who have an option to join more than 1 State or local retirement system cannot be covered unless all such retirement systems are covered.</p> <p>Individuals in positions under retirement systems on Sept. 1, 1954, are precluded from obtaining coverage under the nonretirement system coverage provisions.</p> <p>The 1960 amendments permit California to cover, before 1962, persons employed by a hospital in 1957, 1958, or 1959 in positions removed, after Sept. 1, 1954, and before 1960, from retirement system coverage for whom social security taxes were erroneously paid. Hospital employment before 1960 on which taxes were paid and all subsequent hospital employment of such persons could be covered.</p> <p><i>Exceptions to general law concerning coverage in named States:</i></p> <p>(1) <i>Split-system provisions.</i>—Authorizes California, Connecticut, Florida, Georgia, Hawaii, Massachusetts, Minnesota, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin, and all interstate instrumentalities, at their option, to extend coverage to the members of a State retirement system by dividing such a system into 2 divisions, 1 to be composed of those persons who desire coverage and the other of those persons who do not wish coverage, provided that new members of the retirement system coverage group are covered com-</p>	<p>Would modify provision so that service of persons in such positions after 1960 would also be covered. Upon modification of agreement by the end of 6 months following date of enactment, service performed on or after Jan. 1, 1962, would be covered. Services performed before Jan. 1, 1962, would be covered, if contribution in the proper amount was paid prior to date of enactment.</p> <p>Adds Kentucky and Alaska to the list. Effective upon enactment.</p>	<p>Same as House bill.</p> <p>Same as House bill.</p>

pulsorily. Also authorize similar treatment of political subdivision retirement systems of these States.

Those employees covered by a divided retirement system who did not elect coverage in the original agreement, may, nevertheless elect coverage until 1963, or, if later, until 2 years after the date on which coverage was approved for the group that originally elected coverage. Also provides that the coverage of persons electing under this amendment would begin on the same date as coverage became effective for the group originally covered.

Also provides that where an individual who has chosen not to be covered under the divided retirement system provision becomes a member of a different retirement system group which has elected coverage because of the annexation of the employing political subdivision by another political subdivision, or through some other action taken by a political subdivision, such individual will continue to be excluded from coverage.

(2) *Policemen and firemen.*—Allows the States of Alabama, California, Florida, Georgia, Hawaii, Kansas, Maine, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, and Washington and all interstate instrumentalities to make coverage available to policemen and firemen in those States, subject to the same conditions that apply to coverage of other employees who are under State and local retirement systems, except that where the policemen and firemen are in a retirement system with other classes of employees the policemen and firemen may, at the option of the State, hold a separate referendum and be covered as a separate group.

Excludes:

- a. Students in the employ of a school, a college, or university if enrolled and regularly attending classes;
- b. student nurses employed by a hospital or nurses training school if enrolled and regularly attending classes;
- c. interns in the employ of a hospital (including Federal hospitals) if they have completed a 4-year course in an approved medical school.

3. Students, interns, and nurses in schools and hospitals.

Extends the time in which such employees can elect to be covered until the end of 1965 (or, if later, the expiration of 2 years after the date on which coverage was approved for the group that originally elected coverage). Effective upon enactment.

Same as House bill.

Repeals provision since general exclusion is eliminated.

House provision deleted.

No change, except—

- c. Covered. Effective as to service performed after 1964.

House provision deleted.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

II. PROVISIONS RELATING TO DISABILITY

Item	Present law	House bill	Senate bill
A. Nature of the provisions:			
1. Benefits.....	Provides monthly benefits for disabled workers meeting eligibility requirements. Benefits are computed in the same way as retirement benefits and are payable from the Federal disability insurance trust fund. Benefits terminate at age 65 and become retirement benefits.	No change.....	No change except for persons who meet definition of blindness noted below. They will continue to receive a disability benefit beyond age 65.
2. Disability "freeze".....	Provides that when an individual for whom a period of disability has been established dies, or retires, on account of age or disability, his period of disability will be disregarded in determining his eligibility for benefits and his average monthly wage for benefit computation purposes.	No change.....	No change other than modification of definition of blindness noted below.
B. Eligibility requirements:			
1. Definition.....	For benefits or for the freeze, an individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. (For purposes of the freeze only a specified degree of blindness is presumed disabling; i.e., means central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to 5° or less concentric contraction is considered as having a central visual acuity of 5/200 or less.) The impairment must be medically determinable and one which can be expected to be of long-continued and indefinite duration or to result in death.	No change.....	Modifies definition of disability for the "freeze" and for benefit purposes so that the following degree of blindness is deemed disabling. Central visual acuity of 20/200 or less in the better eye with the use of correcting lenses, or visual acuity greater than 20/200 if accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20°.
2. Waiting period.....	An initial 6 months' "waiting period" is required before disability insurance benefits will be paid. Benefits are payable for 7th month. However, benefits may be paid for the 1st full month of disability to worker who becomes disabled within 60 months (5 years) after termination of disability insurance benefits or a period of disability.	No change.....	No change.
3. Insured status (work requirement).	To be eligible an individual must— (1) have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the period of disability begins; (2) be fully insured.	No change.....	Adds 3d alternative for insured status: 6 quarters of coverage (acquired at any time) for individuals who meet the above definition of blindness. Effective for month after month of enactment.

III. BENEFIT CATEGORIES

ST-448-01-1

A. Definition of "child"-----

Definition of dependency on father, adopting father, stepfather, mother, adopting mother, and stepmother.

"Child" is defined as a natural or legally adopted child, including a stepchild, who has been such for at least 1 year immediately preceding the day on which the application for child benefits is filed or the wage earner dies. (If a stepchild of the worker is later adopted by the worker, the child is considered to be an adopted child during the period the stepchild relationship existed).

A child is considered dependent upon the father if the father is living with or contributing to the support of the child. However, even if the father is not living with the child or contributing to his support, the child, if legitimate, is considered dependent upon the father unless the child has been adopted by some other individual.

An adopted child is considered dependent upon his *adopting father* under the same conditions as those which apply to a father and his natural child.

A child is considered dependent upon his *stepfather* at the time of filing application for child's benefits if the child was—

- a. living with his stepfather; or
- b. receiving at least $\frac{1}{2}$ his support from his stepfather.

A child is considered dependent upon his *natural mother* or *adopting mother* at the time of filing application for child benefits if such mother *was currently insured* when she became entitled to old-age benefits regardless of presence of or support furnished the child by the father.

Also a child is considered dependent upon his *natural, adopting, or stepmother* at the time of filing application for child benefits if she was living with the child or contributing to the support of the child and provided the child was—

- (1) Neither living with, nor receiving contributions from, his father or adopting father, or
- (2) Receiving at least $\frac{1}{2}$ of his support from her.

No change-----

No change-----

Expands concept of "child" for benefit purposes to include other children living in wage earner's household for a continuous period of not less than 1 year immediately preceding the day on which application for benefits is filed or wage earner dies.

Requires that a child qualifying under the above provision shall be deemed dependent on the wage earner if he was receiving at least $\frac{1}{2}$ of his support from him at death or time of filing application. He would not be dependent if the wage earner was receiving regular contributions for the support of the child from the child's natural or adoptive mother or father, or a public or private welfare organization had placed the child in the wage earner's home under a "foster care" program. An exception to this would be where the wage earner was actually the mother or father of the child.

Effective as to monthly benefits for months beginning with the month of enactment.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

III. BENEFIT CATEGORIES—Continued

Item	Present law	House bill	Senate bill
B. Proof of support by dependent husbands, widowers, and parents.	Dependent husbands, widowers, and parents must file proof of their support by the worker within 2 years after application for benefits or death of the worker, except that an additional 2-year period is allowed upon a showing that good cause existed for failure to file within the initial 2-year period.	No change.....	Proof of support may be filed at any time upon a showing that good cause existed for failure to file within the initial 2-year period.

IV. BENEFIT AMOUNTS

A. Creditable earnings.....	Maximum amount of earnings which may be credited for benefit purposes is \$4,800 a year.	Raises maximum amount to \$5,400 a year, effective for employee wages after 1964 and for self-employment income for taxable years ending after 1964.	Raises amount in House bill to \$5,600 a year, effective at same time.
B. Benefit formula.....	The law provides a consolidated benefit table which is used in determining benefit amounts for both future beneficiaries and those now on the benefit rolls. Though not specifically stated in the law the formula for the primary insurance amount is in effect, 58.85 percent of the 1st \$110 of the average monthly wage, plus 21.40 percent of the next \$290 of such wage (except that in some cases, for average monthly wages under \$85, a slightly higher amount is payable so as to fit in with the minimum benefit).	The existing benefit table is amended so as to increase all primary insurance amounts by 5 percent on average wages up to \$400. ¹ The existing benefit table is extended to reflect the new annual earnings base of \$5,400 a year. For the resulting new average monthly wages (which run from \$400 to \$450 a month) primary insurance amounts are derived by applying the benefit formula underlying the old table and adding \$6.40, which \$6.40 is the same amount of increase for persons with average monthly wage of \$400, the maximum under the existing table. The formula underlying the new table is approximately 61.79 percent of the first \$110 of the average monthly wage, plus 22.47 percent of the next \$290, plus 21.4 percent of the next \$50.	Deletes House bill provision and substitutes a benefit table which increases all primary insurance amounts by \$7 a month. The benefit table is extended to reflect the new annual earnings base of \$5,600 a year. For the resulting new average monthly wages (which run from \$400 to \$466 a month) primary insurance amounts are derived by applying the benefit formula in existing law up to the new maximum monthly wage and adding \$7.
C. Maximum primary insurance amount.	\$127 a month (\$400 average monthly wage) ..	Increases to \$133.40 (\$400 average monthly wage) and eventually to \$143.40 (\$450 average monthly wage).	Increases to \$134 (\$400 average monthly wage) and eventually to \$148 (\$465 average monthly wage).
D. Minimum primary insurance amount.	\$40 a month.....	Increases minimum benefit to \$42 per month..	Increases minimum benefit to \$47 per month.
E. Maximum family benefits.....	Family maximum monthly benefits are set by the table and range from \$60 to \$254. Though not specifically stated in the law, the maximum family benefit shown in the benefit table is 1½ times the primary insurance amount or approximately 80 percent of the average monthly wage, whichever is larger, up to an absolute maximum of \$254—twice the maximum primary insurance amount of \$127.	Family maximum will range from \$63 to \$300. Although not specifically stated in the bill, the formula used to determine the maximum family benefit shown in column V of the new benefit table is the larger of (a) 1½ times the primary insurance amount or (b) approximately 80 percent of the average monthly wage up to \$300, plus 40 percent of the remainder of the average monthly wage. The \$300 point at which the 40-	The family maximum will range from \$70.50 to \$312 a month. Although not specifically stated in the bill, the formula used to determine the maximum family benefit shown in column V of the new benefit table is the larger of (a) 1½ times the primary insurance amount or (b) approximately 80 percent of the average monthly wage up to \$314, plus 40 percent of the remainder of the average monthly wage. The \$314 point at which

percent part of the formula begins to operate is $\frac{1}{2}$ of the maximum average monthly wage of \$450. At the maximum average monthly wage of \$450, the maximum family benefit would be $\frac{1}{2}$ of the average monthly wage. (Because this new formula for determining the maximum family benefits would result in lower family benefits at a few earnings levels than under present law—namely, for average wages between \$301 and \$333—the present maximum benefits are retained at these earnings levels.) Effective for monthly benefits after the 1st month following month of enactment, for lump-sum death payments where death occurs after the 1st month.

the 40-percent part of the formula begins to operate is about $\frac{1}{2}$ of the maximum average monthly wage of \$466. At the maximum average monthly wage of \$466, the maximum family benefit would be approximately $\frac{1}{2}$ of the average monthly wage. No change in effective date.

F. ILLUSTRATIVE BENEFITS

Average monthly wage	Old-age Benefits ¹						Survivors benefits								
	Worker			Man and wife ²			Widow aged 62, widower, or parent			Widow aged 60 ³			Widow and 2 children		
	Present law	House bill	Senate bill	Present law	House bill	Senate bill	Present law	House bill	Senate bill	Present law	House bill	Senate bill	Present law	House bill ⁴	Senate bill ⁴
\$67 or less.....	\$40.00	\$42.00	\$47.00	\$60.00	\$63.00	\$70.50	\$40.00	\$42.00	\$47.00	None	\$36.40	\$40.80	\$60.00	\$63.00	\$70.50
\$100.....	59.00	62.00	66.00	88.50	93.00	99.00	48.70	51.20	54.50	None	44.40	47.30	88.50	93.00	99.00
\$150.....	73.00	76.70	80.00	109.50	115.10	120.00	60.30	63.30	66.00	None	54.90	57.20	120.00	120.00	120.00
\$200.....	84.00	88.20	91.00	126.00	132.30	136.50	79.30	72.80	75.10	None	63.10	65.10	161.70	161.70	161.70
\$250.....	95.00	99.80	102.00	142.50	149.70	153.00	78.10	82.40	84.20	None	71.50	73.00	202.50	202.50	202.50
\$300.....	105.00	110.30	112.00	157.50	165.50	168.00	86.70	91.00	92.40	None	78.90	80.10	236.40	240.00	240.00
\$350.....	116.00	121.80	123.00	174.00	182.70	184.50	95.70	100.50	101.50	None	87.10	88.00	254.10	260.40	266.10
\$400.....	127.00	133.40	134.00	190.50	200.10	201.00	104.80	110.10	110.60	None	95.50	95.90	254.10	281.40	286.80
\$450.....	(⁵)	143.40	144.00	(⁶)	215.10	216.00	(⁶)	118.40	118.80	None	102.70	103.00	(⁶)	300.00	305.70
\$466.....	(⁵)	(⁵)	148.00	(⁶)	(⁶)	222.00	(⁶)	(⁶)	122.10	None	(⁶)	105.90	(⁶)	(⁶)	312.00

¹ Worker aged 65 or over at time of retirement, and wife aged 65 or over at time when she comes on the rolls.
² Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as for a man and wife.
³ Not applicable under present law.
⁴ For families on the benefit roll in the month after the month of enactment who are affected by the maximum-

benefit provisions, the amounts payable under the bill would, in some cases, be somewhat higher than those shown here.
⁵ Not applicable since maximum average monthly wage possible is \$400.
⁶ Not applicable since maximum average monthly wage possible is \$450.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

V. RETIREMENT TEST

Item	Present law	House bill	Senate bill
A. Scope.....	<p>Applies to covered as well as noncovered work. Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent drawing on his record) at the rate of \$1 in benefits for each \$2 of annual earnings between \$1,200 and \$1,700 and \$1 in benefits for each \$1 of annual earnings above \$1,700.</p> <p>Benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$100 nor rendered substantial services in a trade or business.</p>	No change.....	No change.
B. Test of earnings.....		No change.....	<p>Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent drawing on his record) at the rate of \$1 in benefits for each \$2 of annual earnings between \$1,500 and \$3,000 and \$1 in benefits for each \$1 of annual earnings above \$3,000.</p> <p>Benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$125 nor rendered substantial services in a trade or business.</p> <p>Effective as to taxable years of individuals ending after 1964.</p>

VI. FINANCING

A. Allocation between trust funds....	<p>The Federal old-age and survivors insurance trust fund receives all tax contributions other than those allocated for the disability benefit program, from which benefits and administrative expenses are paid for the old-age and survivors insurance program.</p> <p>The Federal disability insurance trust fund receives an amount equal to 1/2 of 1 percent of taxable wages plus 1/4 of 1 percent of self-employment income, from which benefit and administrative expenses are paid for the disability insurance program.</p>	<p>Provides that 0.15 percent of taxable wages and 0.1125 percent of taxable self-employment income that is allocated to the old-age and survivors insurance trust fund would be allocated to the disability insurance trust fund. Brings the total allocation to the disability insurance trust fund, for years beginning after 1964, to 0.65 percent of taxable wages and 0.4875 percent of taxable self-employment income.</p>	<p>Modifies House provision so that the amount allocated to the disability insurance trust fund would be increased to bring the total allocation for years beginning after 1964 to 0.67 percent of taxable wages and 0.5025 of taxable self-employment income.</p>
B. Maximum taxable amount.....	\$4,800 a year.....	Increases amount to \$5,400 a year. Effective as to wages paid after December 1964 and self-employment income for taxable years ending after 1964.	Increases amount to \$5,600 a year. Effective at same date as House bill.
C. Tax rate for self-employed.....	<p>Taxable years beginning in—</p> <p>1965..... 5.4</p> <p>1966-67..... 6.2</p> <p>1968-70..... 6.9</p> <p>1971 and thereafter..... 6.9</p>	<p>Taxable years beginning in—</p> <p>1965..... 5.7</p> <p>1966-67..... 6.0</p> <p>1968-70..... 6.8</p> <p>1971 and thereafter..... 7.2</p>	<p>Taxable years beginning in—</p> <p>1965..... 6.4</p> <p>1966-67..... 6.8</p> <p>1968-70..... 7.5</p> <p>1971 and thereafter..... 7.8</p>

D. Tax rate for employees and employers.	Calendar years:	Calendar years:	Calendar years:			
	1965.....	3.625	1965.....	3.8	1965.....	4.25
	1966-67.....	4.125	1966-67.....	4.0	1966-67.....	4.50
	1968-70.....	4.625	1968-70.....	4.5	1968-70.....	5.00
	1971 and thereafter.....	4.625	1971 and thereafter.....	4.8	1971 and thereafter.....	5.20
E. Railroad retirement tax.....	The Railroad Retirement Tax Act provides that the railroad tax will automatically adjust in the same amount, and at the same time, to any change in the OASDI tax rate.		Amends Railroad Retirement Tax Act so that only the changes scheduled in the OASDI tax in existing law will affect rates in railroad retirement tax.		Deletes House provision.	

VII. MISCELLANEOUS

A. RELATED RAILROAD RETIREMENT BENEFITS

1. Benefit increase.....	The social security minimum guarantee provision of the Railroad Retirement Act provides that a railroad retirement annuity shall in no case be less than 110 percent of the amount an individual would receive under social security if his railroad employment after 1936 had been subject to the Social Security Act. The guarantee applies also to spouses and survivors.	No change.....	Amends Railroad Retirement Act so that the social security benefit increase provided would increase the railroad retirement benefits of those on the railroad retirement rolls whose benefits are now determined by the minimum guarantee provision, or would be so determined, because of the social security benefit increase contained in the bill.
2. Child's benefits.....	In order to be eligible for a child's benefit under the Railroad Retirement Act, the child must be— (a) Under age 18, or (b) Under a disability which began before age 18.	No change.....	The bill would make changes in the Railroad Retirement Act similar to those it would make in the Social Security Act, providing for payment of benefits to a child beyond age 18 but less than age 22 who is a full-time student.

B. RELATED VETERANS' BENEFITS

1. Eligibility.....	The eligibility for and the amount of veterans' non-service-connected disability pensions are determined, after meeting other requirements, by the amount of an individual's annual income, including social security income.	No change.....	Amends veterans' law so that the social security benefit increases provided (left at 5 percent rather than \$7 in Senate bill) would be excluded as income in establishing entitlement to, or amount of, veterans' non-service-connected disability pensions.
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PUBLIC ASSISTANCE

I. INCREASE IN FEDERAL MATCHING FORMULA

Item	Present law	House bill	Senate bill																																																																										
A. Payments for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, or the combined aged, blind, and disabled program (title XVI).	Federal matching share is \$29 of the first \$35 (² / ₅ of the first \$35) with variable matching on the amount above \$35 up to a maximum of \$70 per recipient per month.	No change.....	Effective Oct. 1, 1964, the Federal matching share will be increased to \$31 out of the first \$37 (³ / ₇ of the first \$37) with variable matching up to a maximum of \$75 per recipient per month.																																																																										
	Variable matching for States whose per capita income is at or above the national average is 50 percent, while for States below the national average it varies up to 65 percent. The "Federal percentages" as promulgated for the period July 1, 1963, through June 30, 1965, are as follows:	No change.....	No change.																																																																										
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Oregon.....	50.00
Pennsylvania.....	50.00
Rhode Island.....	50.00
South Carolina.....	65.00
South Dakota.....	65.00
Tennessee.....	65.00
Texas.....	61.45
Utah.....	62.28
Vermont.....	64.75
Virginia.....	65.00
Washington.....	50.00
West Virginia.....	65.00
Wisconsin.....	52.50
Wyoming.....	50.00

(27 F.R. 9185)

Vendor medical payments.—For old-age assistance and for the combined aged, blind, and disabled program there is additional Federal matching as to medical vendor payments (i.e., payments directly to the providers of medical services) with respect to State expenditures for medical or remedial care, the larger of the following alternatives:

“Federal medical percentage” of vendor payment expenditures that are above \$70 per month, up to \$15 per recipient per month.

or

15 percent of vendor payment expenditures, up to \$15 per recipient per month.

The “Federal medical percentage” is dependent on the relationship between State per capita income and the national per capita income. The percentage ranges from 50 percent for States at or above the national average to 80 percent for States with the lowest income. (See percentages, next page.)

For States with average monthly payments over \$70, the Federal Government participates at the rate of the “Federal medical percentage” in the expenditures over \$70 except that such participation is limited to the amount of the average vendor medical payment up to \$15 per recipient per month.

For States with average monthly payments of \$70 per month or less, the Federal share in average vendor medical payments up to \$15 per recipient per month is an additional 15 percentage points over and above the “Federal percentage” used to compute the Federal share of money payments.

Provision is also made that a State with an average payment over \$70 per month can never receive less in additional Federal funds in respect to such medical service costs than if it had an average payment of \$70 per month.

No change.....

No change.....

Formula also changed to reflect new matching maximum on assistance payments of \$75.

Formula is restated so that amounts in which the Federal Government participates at the “Federal medical percentage” are counted before those in which participation is at this “Federal percentage”.

PUBLIC ASSISTANCE—Continued

I. INCREASE IN FEDERAL MATCHING FORMULA—Continued

Item	Present law	House bill	Senate bill																																		
A. Payments for old-age assistance, etc.—Continued	<p>Permits Federal matching of State expenditures under all four public assistance programs for medical or remedial care furnished within 3 months before the month in which a person applies for assistance.</p> <p>For those States which adopt the optional combined aged, blind, and disabled program the additional \$15 matching for medical vendor payments will be applicable to the blind and disabled recipient under the combined program.</p>																																				
B. Payments for aid to dependent children.	<p>For money and medical vendor payments the Federal share is \$14 out of the first \$17 (19 1/7 of the first \$17) per recipient per month with variable matching on the amount above \$17 up to a maximum of \$30 per recipient per month. Variable matching for the States is at the same percentages as old-age assistance money payment matching.</p>	No change-----	Effective Oct. 1, 1964, the Federal matching share will be increased to \$15 out of the first \$18 (3/4 of the first \$18) up to a maximum of \$32 per month per recipient.																																		
C. Payments for medical assistance for the aged.	<p>The Federal share of expenditures for medical vendor payments is based on a variable matching formula which runs from 50 percent for States at and above the national per capita average up to 80 percent for the lowest per capita income States. Federal matching of State expenditures for medical or remedial care furnished within 3 months before the month in which a person applies for assistance is permitted. The Federal share (the Federal-medical percentage) for each State is as follows:</p>	No change-----	No change.																																		
	<p><i>Federal-medical percentages applicable for July 1, 1963, through June 30, 1965.</i></p> <table border="0"> <thead> <tr> <th>State:</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Alabama.....</td><td>78.29</td></tr> <tr><td>Alaska.....</td><td>50.00</td></tr> <tr><td>Arizona.....</td><td>58.75</td></tr> <tr><td>Arkansas.....</td><td>80.00</td></tr> <tr><td>California.....</td><td>50.00</td></tr> <tr><td>Colorado.....</td><td>50.00</td></tr> <tr><td>Connecticut.....</td><td>50.00</td></tr> <tr><td>Delaware.....</td><td>50.00</td></tr> <tr><td>District of Columbia.....</td><td>50.00</td></tr> <tr><td>Florida.....</td><td>60.69</td></tr> <tr><td>Georgia.....</td><td>73.69</td></tr> <tr><td>Hawaii.....</td><td>50.00</td></tr> <tr><td>Idaho.....</td><td>67.43</td></tr> <tr><td>Illinois.....</td><td>50.00</td></tr> <tr><td>Indiana.....</td><td>52.06</td></tr> <tr><td>Iowa.....</td><td>57.63</td></tr> </tbody> </table>	State:	Percentage	Alabama.....	78.29	Alaska.....	50.00	Arizona.....	58.75	Arkansas.....	80.00	California.....	50.00	Colorado.....	50.00	Connecticut.....	50.00	Delaware.....	50.00	District of Columbia.....	50.00	Florida.....	60.69	Georgia.....	73.69	Hawaii.....	50.00	Idaho.....	67.43	Illinois.....	50.00	Indiana.....	52.06	Iowa.....	57.63	No change-----	No change.
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Massachusetts.....	50.00
Michigan.....	50.00
Minnesota.....	56.42
Mississippi.....	80.00
Missouri.....	50.45
Montana.....	59.69
Nebraska.....	55.10
Nevada.....	50.00
New Hampshire.....	56.38
New Jersey.....	50.00
New Mexico.....	66.55
New York.....	50.00
North Carolina.....	74.99
North Dakota.....	73.03
Ohio.....	50.00
Oklahoma.....	65.65
Oregon.....	50.00
Pennsylvania.....	50.00
Rhode Island.....	50.90
South Carolina.....	80.00
South Dakota.....	68.87
Tennessee.....	75.53
Texas.....	61.45
Utah.....	62.28
Vermont.....	64.75
Virginia.....	65.05
Washington.....	50.00
West Virginia.....	71.76
Wisconsin.....	52.50
Wyoming.....	50.00
Guam.....	50.00
Puerto Rico.....	50.00
Virgin Islands.....	50.00

(27 F.R. 9230.)

D. Pass along provision.....

No provision in existing law to insure that public assistance recipients receive higher payments because of legislation liberalizing the Federal matching formula.

No change.....

Federal matching for any State for any quarter shall be reduced to the extent that the excess of the Federal matching for such quarter over the average Federal matching for quarters in fiscal 1964 is greater than the excess of total Federal, State, and local expenditures for the quarter over the average Federal, State, and local total expenditures for quarters in fiscal 1964.

PUBLIC ASSISTANCE—Continued

I. INCREASE IN FEDERAL MATCHING FORMULA—Continued

Item	Present law	House bill	Senate bill
<p>E. Consideration of income in determination of need.</p> <p>1. Consideration of earnings in old-age assistance and combined program (title XVI).</p> <p>2. Consideration of increased monthly OASDI benefits on all public assistance programs (except medical assistance for the aged).</p>	<p>In determining the need of an aged recipient, a State may, after Dec. 31, 1962, disregard a portion of earned income. Of the first \$50 per month, the State may disregard up to the first \$10 completely, plus 1/2 of the remainder.</p> <p>No provision in past legislation to exempt OASDI benefit increases from public assistance income considerations.</p>	<p>No change.....</p> <p>No provision.....</p>	<p>In determining need of an aged recipient, a State may, after Oct. 1, 1964, disregard a portion of earned income. Of the first \$80 per month, the State may disregard up to the first \$20 completely, plus 1/2 of the remainder.</p> <p>Would allow a State, beginning with the 2d month after enactment, to disregard 7 or 7 percent (whichever is the greater) of monthly OASDI benefits. For months after June 1964, the State agency would be required to disregard such amounts.</p>

II. DEFINITION OF OLD-AGE ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED

<p>A. Mental and TB exclusion.</p> <p>1. Old-age assistance and combined program (title XVI).</p> <p>2. Medical assistance for the aged.</p> <p>3. State plan requirements.</p>	<p>Federal matching is available as to cash and vendor payment, but does not include—</p> <p>(1) Cash or vendor payments on behalf of an inmate of a public institution (except as a patient in medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or</p> <p>(2) Any cash payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof;</p> <p>(3) Vendor payments on behalf of any individual who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis with respect to any period after the individual has been a patient in such an institution for 42 days.</p> <p>Federal matching is available as to vendor payments but does not include (1) payments on behalf of an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases, or (2) on behalf of any individual who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis with respect to any period after the individual has been a patient in such an institution for 42 days.</p> <p>No provision.....</p>	<p>No change.....</p> <p>No change.....</p> <p>No change.....</p> <p>No change.....</p> <p>No provision.....</p>	<p>1. Deletes tuberculosis and mental exclusion; retains exclusion as to payments to inmates of a public institution (except as a patient in a mental institution).</p> <p>2. Deletes tuberculosis and mental exclusion.</p> <p>3. Deletes tuberculosis and mental exclusion entirely.</p> <p>4. Deletes tuberculosis and mental exclusion; retains exclusion as to payments to inmates of a public institution (except as a patient in a mental institution).</p> <p>5. Deletes tuberculosis and mental exclusion entirely.</p> <p>As to old-age assistance, medical assistance for the aged, or combined program (title XVI) adds requirement that if State plan includes cash payment or vendor payments to persons in mental or tuberculosis institu-</p>
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tions or in other medical institutions as a result of a diagnosis of psychosis or tuberculosis it must—

(1) Provide for having in effect arrangements with the State mental health authority or authorities, and, where appropriate, with such institutions, including arrangements for joint planning, development of alternate methods of care, assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, allowing access to patients and facilities, furnishing information, and making reports, as may be necessary to enable the State agency to carry out its responsibilities under the State plan;

(2) Provide for an individual plan for each patient to assure that the institutional care provided to him is in his best interests, including, to that end, assurances that there will be initial and periodic review of his medical and other needs, that he will be given appropriate medical treatment within the institution, and that there will be periodic determination of his need for continued treatment in the institution;

(3) Provide for the development of alternate plans of care, making maximum utilization of available resources, for recipients who would otherwise need care in such institutions, including appropriate medical treatment and other assistance, for rehabilitation services which are appropriate for such, and for methods of administration necessary to assure that these provisions will be effectively carried out; and

(4) Provide methods of determining the reasonable cost of institutional care for such patients.

And, if the State plan provides vendor or cash payments to patients in public institutions for mental diseases, it must be shown that the State is making satisfactory progress toward developing a comprehensive mental health program, including provision for utilization of community mental health centers, nursing homes, and other alternatives to institutional care.

Federal matching for any State for any quarter which is attributable to State or local expenditures with respect to patients in institutions for tuberculosis or mental diseases shall only be paid to extent that the State makes a showing satisfactory to the Secretary that it has increased Federal, State, and local expenditures for mental health services under public health and public welfare programs in the State over the average of such expenditures for quarters in fiscal year 1964.

4. Pass along.....

No provision.....

No provision.....

PUBLIC ASSISTANCE—Continued

II. DEFINITION OF OLD-AGE ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED—Continued

Item	Present law	House bill	Senate bill
<p>B. Protective payments under old-age assistance and the combined program (title XVI).</p>	<p>Federal financial participation as to money payments to needy persons or their legal guardians has been authorized since 1935. Vendor payments, made directly to the suppliers of medical services on behalf of recipients have been authorized by the 1950 amendments. Since 1958, payments have been authorized to be made to another person who is judicially appointed for the purpose of receiving and managing such assistance payments (whether or not he is such individual's legal representative for other purposes).</p>	<p>No change.....</p>	<p>Authorizes protective payments to be made to a person who is interested in or concerned with the welfare of the needy person under a State plan which provides for—</p> <p>(1) Determination by the State agency that payments in this form are necessary because the needy person has, by reason of his physical or mental condition, such inability to manage funds that making cash payments to him would be contrary to his welfare;</p> <p>(2) Special efforts to protect the welfare and improve the ability of the needy individual to manage funds;</p> <p>(3) Periodic review of the situation to determine whether such payments to an interested person are still necessary—and seeking judicial appointment of a guardian or legal representative if and when such action will serve the interests of such needy individual; and</p> <p>(4) Opportunity for a fair hearing before the State agency on the determination that payments to an interested person are necessary.</p>
<p>C. Medical assistance for the aged...</p>	<p>The term "medical assistance for the aged" means payments of part or all of the cost of care and services (if provided in or after the 3d month before the month in which the recipient makes application for assistance) for individuals 65 years of age or older who are not recipients of old-age assistance but whose income and resources are insufficient to meet all of the cost of medical services.</p>	<p>No change.....</p>	<p>Eliminates restriction upon Federal matching for recipients of old-age assistance for month they are admitted or discharged from a medical institution.</p>

HEALTH CARE FOR THE AGED

(The House bill contained no provision of the following nature:)

I. GENERAL DESCRIPTION

Under social security (old-age and survivors insurance) and railroad retirement administrative mechanisms, provides (1) hospital, nursing home, home health, and outpatient diagnostic services to persons 65 or over eligible to receive (or receiving) social security or railroad retirement benefits financed by an increase in taxes for workers and employers under these systems; (2) similar benefits out of Federal general revenue for certain uninsured individuals 65 or over.

In addition, provides for a program of complementary health benefits for the aged, providing medical, surgical, and related services through the establishment of a nonprofit national association of private insurance carriers to make available to aged persons a standard health insurance policy at reasonable cost.

II. BENEFITS FURNISHED UNDER SOCIAL SECURITY AND RAILROAD RETIREMENT

A. Scope of Benefits

Benefits would consist of payments to health facilities and organizations for services rendered to eligible individuals. Such payments may be made for the following kinds of services:

(1) Inpatient hospital care for 90 days per benefit period¹ subject to deductible of \$10 per day for the first 9 days, but not less than \$20; or, upon election, 45 days per period with no deductible, or, upon election, 180 days with a deductible of the lesser of (a) 2½ times the average per diem rate for such services throughout the Nation under the program (until 1968 the bill sets the per diem rate at \$37, thus the deductible initially will be \$92.50) or (b) charges customarily made for such services by the hospital which furnished them. There may be only one election under this provision and it is irrevocable. The election must be made during the first 2 months in the 3-month period preceding the month in which the individual has both attained age 65 and is eligible for benefits.

Cost sharing.—If hospital costs rise after 1965, and the earnings base is not changed proportionately, in 1969 beneficiaries of hospitalization will be charged a daily amount equal to the differential between the national average per diem rate of an estimated \$36 in 1964-65 (increased proportionately by any change in earnings base), and the average per diem rate for the 2 years prior to 1969. This adjustment process will be followed every 2 years thereafter to take into account any later hospital cost increases.

(2) Skilled nursing facility services up to 60 days in a benefit period after transfer from a hospital in an institution which is affiliated or under common control with a hospital;

(3) Home health services up to 240 visits a year;

(4) Outpatient diagnostic services—no durational limit but subject to a \$20 deductible per 30-day period.

Effective dates: Hospital, home health, and outpatient diagnostic services would be first available on July 1, 1965, while nursing home benefits would not be available until the following January.

B. Eligibility for Benefits

- (1) All persons who—
 - (a) are age 65 or over; and
 - (b) Are eligible to receive (or receiving) social security or railroad retirement benefits.
- (2) All persons not insured under social security or railroad retirement who either—
 - (a) Have reached age 65 before 1968; or
 - (b) Have reached age 65 after 1967 if they have three quarters of coverage for each year elapsing after 1964 and before the year they reach age 65.

¹ A period of consecutive days beginning with the first day an individual is furnished with hospital or nursing home services and ending after he has been out of the hospital or nursing home for 90 days. The 90 days need not be consecutive but must occur within a period of not more than 180 consecutive days.

The operation of this provision is illustrated by the following table:

Quarters of coverage required for OASI cash benefits as compared to hospital insurance

Year attains age 65	Men		Women	
	OASI	Hospital insurance	OASI	Hospital insurance
1967.....	16	0	13	0
1968.....	17	6	14	6
1969.....	18	9	15	9
1970.....	19	12	16	12
1971.....	20	15	17	15
1972.....	21	18	18	(*)
1973.....	22	21	-----	-----
1974.....	23	(*)	-----	-----

* Same as OASI.

Excluded from (2) would be nonresidents or resident aliens with less than 10 years in the United States, members of certain subversive organizations, persons convicted of certain subversive crimes, employees of the Federal Government, and persons eligible for benefits under the Federal employee or retired Federal employee health plans.

III. FINANCING

(1) In order to finance benefits for social security eligibles there would be an increase in the tax on employers and employees, the self-employed, and in the earnings base as noted previously on page 12. An allocation of 0.60 percent of taxable wages the first year (1965) and 0.76 percent of taxable wages in subsequent years (0.45 and 0.57 percent of self-employment income, respectively) would be made to a separate Federal Hospital Insurance Trust Fund from which all health benefits and administrative expenses therefor would be paid.

Under Railroad Retirement Tax Act an increase in social security tax results in comparable increase in railroad retirement tax.

(2) For ineligibles under social security and railroad retirement there would be an authorization of appropriation out of general revenues.

IV. COMPLEMENTARY PRIVATE HEALTH INSURANCE FOR THE AGED

Authorizes the establishment of an association of insurance carriers ("National Association of Carriers To Provide Health Insurance for Individuals Aged 65 or Over") whose principal function is to devise and offer for sale through its members a "standard policy" of health insurance for eligible aged persons.

The standard policy *must* provide the following benefits:

- (1) Payment of part or all of most charges for physician's services performed in the office or elsewhere;
- (2) Payment, in accordance with a fee schedule, for part or all costs of surgery performed in or out of a hospital;
- (3) Payment of at least the first \$15 of consultation fee of a medical or surgical specialist;
- (4) Payment, in accordance with a fee schedule, for part or all charges for diagnostic care, and laboratory and X-ray services.

The benefits that *may* be provided under the standard policy or other policies authorized under the bill include (to the extent they are not covered by the social security hospital benefits program) the following:

- (1) Physicians', surgeons', dentists', and related services;
- (2) Diagnostic care and laboratory and X-ray services;
- (3) Prescribed drugs, eyeglasses, dentures, and prosthetic devices;
- (4) Private duty nursing;
- (5) Home health care;
- (6) Inpatient hospital services;
- (7) Skilled nursing home services.

Member carriers would be allowed to offer for sale, in place of the standard policy, one or more "alternative" policies which meet minimum approved standards requiring such policies to fulfill the same purpose and represent the same dollar value as the standard policy.

All premiums paid for standard and alternative policies would go into a "reserve fund" and all benefits and reasonable expenses of administering such policies would be paid from this fund.

Member carriers could also offer for sale supplementary health insurance policies to aged individuals at prices which allow for fair profits.

Under the rules of the association member carriers would be allowed to form regional divisions to confine their activities to a particular geographic area. Each division would have its own regional reserve fund which would serve the same purpose and be subject to the same requirements as the national reserve fund.

The association and each of its members would, with respect to the sale of standard or alternative policies, or a nonprofit basis, be exempt from the provisions of the Sherman Act (other than so much of it that relates to boycott, coercion, or intimidation), the Clayton Act, and the Federal Trade Commission Act. Operations exempted above would be subject to regulation by the Secretary of Health, Education, and Welfare.