IN THE SENATE OF THE UNITED STATES

JANUARY 6, 1965

Mr. Anderson (for himself, Mr. Gore, Mr. Javits, Mr. McNamara, Mr. Bartlett, Mr. Bayh, Mr. Bible, Mr. Brewster, Mr. Burdick, Mr. Case, Mr. Church, Mr. Clark, Mr. Dodd, Mr. Douglas, Mr. Gruenberg, Mr. Hartke, Mr. Inouye, Mr. Jackson, Mr. Kennedy of Massachusetts, Mr. Kennedy of New York, Mr. Kuchel, Mr. Long of Missouri, Mr. Mansfield, Mr. McCarthy, Mr. McGee, Mr. McGovern, Mr. McIntyre, Mr. Metcalf, Mr. Mondale, Mr. Monroney, Mr. Montoya, Mr. Morse, Mr. Moss, Mr. Muskie, Mrs. Neuberger, Mr. Pastore, Mr. Pell, Mr. Proxmire, Mr. Randolph, Mr. Ribicoff, Mr. Tydings, Mr. Williams of New Jersey, Mr. Yarborough, and Mr. Young of Ohio) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide a hospital insurance program for the aged under social security, to amend the Federal Old-Age, Survivors, and Disability Insurance System to increase benefits, improve the actuarial status of the Disability Insurance Trust Fund, and extend coverage, to amend the Social Security Act to provide additional Federal financial participation in the Federal-State public assistance programs, and for other purposes.

1 Be it enacted by the Senate and House of Representa-2
tives of the United States of America in Congress assembled,
3 That this Act, with the following table of contents, may be 4 cited as the “Hospital Insurance, Social Security, and Pub-5 lic Assistance Amendments of 1965”.

J. 35-001A——1
# Table of Contents

Sec. 2. Meaning of term “Secretary”.

**Title I—Hospital Insurance for the Aged**

Sec. 100. Short title.

**Part I. Hospital Insurance Benefits for the Aged**

Sec. 101. Findings and declaration of purpose.

Sec. 102. Benefits.

**Title XVIII—Hospital Insurance Benefits for the Aged**

Sec. 1801. Prohibition against any Federal interference.

Sec. 1802. Free choice by patient guaranteed.

Sec. 1803. Option to individuals to obtain supplementary private health insurance protection.

Sec. 1804. Entitlement to benefits.

Sec. 1805. Deductible; duration of services.
   (a) Deductible.
   (b) Determination of current average per diem rate.
   (c) Duration of services.
   (d) Benefit period.

Sec. 1806. Definitions of services, institutions, etc.
   (a) Inpatient hospital services.
   (b) Hospital.
   (c) Utilization review.
   (d) Post-hospital extended care.
   (e) Extended care facility.
   (f) Agreements for transfer between extended care facilities and hospitals.
   (g) Home health services.
   (h) Home health agency.
   (i) Outpatient hospital diagnostic services.
   (j) Drugs and biologicals in hospitals and extended care facilities.
   (k) Arrangements for certain services.
   (l) Provider of services.
   (m) Physician.
   (n) States and United States.

Sec. 1807. Use of State agencies and other organizations to develop conditions of participation for providers of service.

Sec. 1808. Use of State agencies and other organizations to determine compliance by providers of services with conditions of participation.

Sec. 1809. Conditions of and limitations on payment for services.
   (a) Requirement of requests and certifications.
   (b) Determination of costs of services.
   (c) Amount of payment for more expensive services.
   (d) Amount of payment where less expensive services furnished.
   (e) No payments to Federal providers of services.
Sec. 1809—Continued
(f) Payments for emergency inpatient hospital services.
(g) Payment for services prior to notification of non-eligibility.

Sec. 1810. Agreements with providers of services.
Sec. 1811. Payment to providers of services.
Sec. 1812. Hospital insurance benefits advisory council.
Sec. 1813. Review of determinations.
Sec. 1814. Overpayments to individuals.
Sec. 1815. Use of private organizations to facilitate payment to providers of service.
Sec. 1816. Regulations.
Sec. 1817. Application of certain provisions of title II.
Sec. 1818. Designation of organization or publication by name.

Sec. 103. Federal Hospital Insurance Trust Fund.
Sec. 104. Transitional provision on eligibility of presently uninsured individuals for hospital insurance benefits.
Sec. 105. Suspension in case of aliens.
Sec. 106. Persons convicted of subversive activities.
Sec. 108. Technical amendments to Internal Revenue Code.
Sec. 121. Hospital insurance benefits for the aged under the Railroad Retirement Act.
(a) Hospital insurance benefits for the aged.
(b) Financial interchange between Railroad Retirement Account and Federal Hospital Insurance Trust Fund.

PART C—MISCELLANEOUS PROVISIONS

Sec. 131. Studies and recommendations.

PART D—COMPLEMENTARY PRIVATE HEALTH BENEFITS COVERAGE FOR INDIVIDUALS AGED 65 OR OVER

Sec. 141. Purpose.
Sec. 142. Definitions.
Sec. 143. Requirements for approval.
Sec. 144. Exemption of associations from certain laws.
Sec. 145. Compliance provisions.
Sec. 146. Hearings and judicial review.

TITLE II—SOCIAL SECURITY AMENDMENTS

Sec. 200. Short title.
Sec. 201. 7 percent increase in old-age, survivors, and disability insurance benefits.
Sec. 203. Improvement of actuarial status of disability insurance trust fund.
Sec. 204. Coverage for doctors of medicine.
Sec. 205. Coverage of tips.
Sec. 206. Reimbursement of trust funds for cost of noncontributory military service credits.
TITLE II—SOCIAL SECURITY AMENDMENTS—Continued

Sec. 207. Inclusion of Alaska and Kentucky among States permitted to divide their retirement systems.
Sec. 208. Additional period for electing coverage under divided retirement system.
Sec. 209. Coverage for certain additional hospital employees in California.
Sec. 210. Increase of earnings counted for benefit and tax purposes.
Sec. 211. Changes in tax schedules.
Sec. 212. Amendment preserving relationship between railroad retirement and old-age, survivors, and disability insurance systems.
Sec. 213. Extension of period for filing proof of support and applications for lump-sum death payment.
Sec. 214. Technical amendment relating to meetings of board of trustees of trust funds.

TITLE III—PUBLIC ASSISTANCE AMENDMENTS

Sec. 300. Short title.
Sec. 301. Removal of limitations on Federal participation in assistance to aged individuals with tuberculosis or mental disease; protective payments.
Sec. 302. Increased Federal payments under public assistance titles of the Social Security Act.
Sec. 303. Disregarding certain earnings in determining need under old-age assistance programs.
Sec. 304. Amendment to definition of medical assistance for the aged.

Meaning of Term "Secretary"

Sec. 2. As used in this Act, and in the provisions of the Social Security Act amended thereby, the term "Secretary", unless the context otherwise requires, means the Secretary of Health, Education, and Welfare.

TITLE I—HOSPITAL INSURANCE FOR THE AGED

SHORT TITLE

Sec. 100. This title may be cited as the "Hospital Insurance Act of 1965".
PART A—HOSPITAL INSURANCE BENEFITS FOR THE AGED

FINDINGS AND DECLARATION OF PURPOSE

SEC. 101. The Congress hereby finds that (1) the heavy costs of hospital care and related health care are a grave threat to the security of aged individuals, (2) most of them are not able to qualify for and to afford private insurance adequately protecting them against such costs, (3) many of them are accordingly forced to apply for private or public aid, accentuating the financial difficulties of hospitals and private or public welfare agencies and the burdens on the general revenues, and (4) it is in the interest of the general welfare for financial burdens resulting from hospital services and related services required by these individuals to be met primarily through social insurance.

(b) The purposes of this title are (1) to provide aged individuals entitled to benefits under the old-age, survivors, and disability insurance system or the railroad retirement system with basic protection against the costs of inpatient hospital services, and to provide, in addition, as an alternative to such protection against the costs of inpatient hospital care, protection against the costs of certain post-hospital
extended care, home health services, and outpatient hospital diagnostic services; to utilize social insurance for financing the protection so provided; to encourage, and make it possible for, such individuals to purchase protection against other health costs by providing in such basic social insurance protection a set of benefits which can easily be supplemented by a State, private insurance, or other methods; to assure adequate and prompt payment on behalf of these individuals to the providers of these services; and to do these things in a manner consistent with the dignity and self-respect of each individual, without interfering in any way with the free choice of physicians or other health personnel or facilities by the individual, and without the exercise of any Federal supervision or control over the practice of medicine by any doctor or over the manner in which medical services are provided by any hospital or any other medical facility; and

(2) to provide such basic protection, financed from general revenues, to those persons who are now age 65 or over or who will reach age 65 within the next several years and who are not eligible for benefits under the old-age, survivors, and disability insurance or railroad retirement systems.

(c) It is hereby declared to be the policy of the Congress that post-hospital extended care for which payment may be made under title XVIII of the Social Security Act shall be utilized in lieu of continuation of inpatient hospital services.
where such care would suffice in meeting the medical needs of the patient, and that home health services for which payment may be made under such title XVIII shall be utilized in lieu of inpatient hospital services or post-hospital extended care where home health services would suffice.

(d) It is further declared to be the policy of the Congress that no individual who receives aid or assistance (including medical or any other type of remedial care) under a State plan approved under title I, IV, X, XIV, or XVI of the Social Security Act shall receive less benefits or be otherwise disadvantaged by reason of the enactment of title XVIII of such Act.

**BENEFITS**

Sec. 102. The Social Security Act is amended by adding after title XVII the following new title:

"TITLE XVIII—HOSPITAL INSURANCE BENEFITS FOR THE AGED"

"PROHIBITION AGAINST ANY FEDERAL INTERFERENCE"

"Sec. 1801. Nothing in this title shall be construed to authorize any Federal officer or employee to exercise any supervision or control over the practice of medicine or the manner in which medical services are provided, or over the selection, tenure, or compensation of any officer or employee of any hospital, extended care facility, or home health agency; or to exercise any supervision or control over the
administration or operation of any such hospital, facility, or agency.

"FREE CHOICE BY PATIENT GUARANTEED

"Sec. 1802. Any individual entitled to insurance benefits under this title may obtain inpatient hospital services, posthospital extended care, home health services, or outpatient hospital diagnostic services from any provider of services which has an agreement in effect under this title and which undertakes to provide him such services or care.

"OPTION TO INDIVIDUALS TO OBTAIN SUPPLEMENTARY PRIVATE HEALTH INSURANCE PROTECTION

"Sec. 1803. Nothing contained in this title or part D of the Hospital Insurance Act of 1965 shall be construed to preclude any State from providing, or any individual from purchasing or otherwise securing, protection against the cost of health or medical care services which supplements the protection provided under this title or part D of the Hospital Insurance Act of 1965.

"ENTITLEMENT TO BENEFITS

"Sec. 1804. (a) Every individual who—

"(1) has attained the age of 65, and

"(2) is entitled to monthly insurance benefits under section 202,

shall be entitled to insurance benefits under this title for each month for which he is entitled to such benefits under
section 202, beginning with the first month after June 1966
with respect to which he meets the conditions specified in
paragraphs (1) and (2).

"(b) For purposes of this section—

"(1) entitlement of an individual to insurance
benefits under this title for a month shall consist of
entitlement to have payment made under, and subject
to the limitations in, this title on his behalf for inpatient
hospital services, post-hospital extended care, home
health services, and outpatient hospital diagnostic serv-
ices furnished him in the United States during such
month, except that no such payment may be made for
post-hospital extended care furnished before January
1967; and

"(2) an individual shall be deemed entitled to
monthly insurance benefits under section 202 for the
month in which he died if he would have been entitled
to such benefits for such month had he died in the next
month.

"DEDUCTIBLE; DURATION OF SERVICES

"Deductible

"Sec. 1805. (a) (1) Payment for inpatient hospital
services furnished an individual during any benefit period
shall be reduced by a deduction equal to the current average
per diem rate for such services for one day.
“(2) Payment for outpatient hospital diagnostic services furnished an individual during any thirty-day period shall be reduced by a deduction equal to one-half of the current average per diem rate for inpatient hospital services for one day which is applicable to benefit periods beginning in the same calendar year as such thirty-day period. For purposes of the preceding sentence, a thirty-day period for any individual is a period of thirty consecutive days beginning with the first day (not included in a previous such period) on which he is entitled to benefits under this title and on which outpatient hospital diagnostic services are furnished him.

“Determination of Current Average Per Diem Rate

“(b) The Secretary shall, as soon as possible after the enactment of this Act and between July 1 and October 1 of each year thereafter, promulgate the current average per diem rate for inpatient hospital services which shall be applicable for the purposes of subsection (a) in the case of benefit periods beginning during the succeeding calendar year. Such current average per diem rate shall be based on the best information available to the Secretary (at the time the determination is made) as to the amounts paid under this title on account of inpatient hospital services furnished, during the two calendar years preceding such determination by hospitals which have agreements in effect under section 1810, to individuals who are entitled to insur-
ance benefits under this title; except that, in the case of benefit periods (and thirty-day periods) beginning before 1969 such current average per diem rate shall be based on the best information available to the Secretary with respect to costs of inpatient hospital services for such individuals. Any amount determined under the preceding provisions of this subsection which is not a multiple of $1, shall—

"(1) if it is a multiple of $0.50, be raised to the next higher multiple of $1, or

"(2) in any other case be rounded to the nearest multiple of $1.

"Duration of Services

"(c) Payment under this title for services furnished an individual during a benefit period may not be made for—

"(1) inpatient hospital services furnished to him during such period after such services have been furnished to him for sixty days during such period; or

"(2) posthospital extended care furnished to him during such period after such care has been furnished him for sixty days during such period.

For purposes of the preceding provisions of this subsection, inpatient hospital services or posthospital extended care shall be taken into account only if payment is or would be, except for this subsection or the failure to comply with the request and certification requirements of or under section 1809 (a),
made with respect to such services or care under this title.

Payment under this title may not be made for home health
services furnished an individual, during a calendar year, after
such services have been furnished him during—

"(A) in the case of the calendar year 1966, 120
visits in such year (not counting any visit prior to July
1, 1966), or

"(B) in the case of any other year, 240 visits in
such year.

"Benefit Period

"(d) For the purposes of this section, a ‘benefit period’
with respect to any individual means a period of consecutive
days—

"(1) beginning with the first day (not included in
a previous benefit period) (A) on which such individ-
ual is furnished inpatient hospital services or post-
hospital extended care and (B) which occurs in a
month for which he is entitled to insurance benefits
under this title, and

"(2) ending with the ninetieth day thereafter on
each of which he is neither an inpatient of a hospital
nor an inpatient of an extended care facility (whether
or not such 90 days are consecutive), but only if such
90 days occur within a period of not more than 180
consecutive days.
"DEFINITION OF SERVICES, INSTITUTIONS, ETC.

"SEC. 1806. For purposes of this title—

"Inpatient Hospital Services

"(a) The term 'inpatient hospital services' means the following items and services furnished to an inpatient of a hospital and (except as provided in paragraph (3)) by the hospital—

"(1) bed and board,

"(2) such nursing services and other related services, such use of hospital facilities, and such medical social services as are customarily furnished by the hospital for the care and treatment of inpatients, and such drugs, biologicals, supplies, appliances, and equipment, for use in the hospital, as are customarily furnished by such hospital for the care and treatment of inpatients, and

"(3) such other diagnostic or therapeutic items or services, furnished by the hospital or by others under arrangements with them made by the hospital, as are customarily furnished to inpatients either by such hospital or by others under such arrangements;

excluding, however—

"(4) medical or surgical services provided by a physician, resident, or intern, except services provided in the field of pathology, radiology, physiatry, or anes-
theology, and except services provided in the hospital
by an intern or a resident-in-training under a teaching
program approved by the Council on Medical Education
of the American Medical Association (or, in the case
of an osteopathic hospital, approved by the Committee
on Hospitals of the Bureau of Professional Education
of the American Osteopathic Association) ; and
"(5) the services of a private-duty nurse.

"Hospital
"(b) The term 'hospital' (except for purposes of section
1805 (d) (2) section 1809 (f), paragraph (7) of this sub-
section, and so much of subsection (d) of this section as
precedes paragraph (1) thereof) means an institution
which—
"(1) is primarily engaged in providing, by or
under the supervision of physicians or surgeons, to
inpatients (A) diagnostic services and therapeutic
services for medical diagnosis, treatment, and care of
injured, disabled, or sick persons, or (B) rehabilitation
services for the rehabilitation of injured, disabled, or
sick persons,
"(2) maintains clinical records on all patients,
"(3) has bylaws in effect with respect to its staff
of physicians,
“(4) has a requirement that every patient must be under the care of a physician,

“(5) provides 24-hour nursing service rendered or supervised by a registered professional nurse, and has a licensed practical nurse or registered professional nurse on duty at all times,

“(6) has in effect a hospital utilization review plan which meets the requirements of subsection (c),

“(7) in the case of an institution in any State in which State or applicable local law provides for the licensing of hospitals, (A) is licensed pursuant to such law or (B) is approved, by the agency of such State or locality responsible for licensing hospitals, as meeting the standards established for such licensing, and

“(8) meets such other requirements as the Secretary finds necessary in the interest of the health and safety of individuals who are furnished services in the institution, except that such other requirements may not be higher than the comparable requirements prescribed for the accreditation of hospitals by the Joint Commission on the Accreditation of Hospitals.

For purposes of section 1805(d)(2), such term includes any institution which meets the requirements of paragraph (1) of this subsection. For purposes of section 1809(f)
(including determination of whether an individual received inpatient hospital services for purposes of such section 1809(f)), and so much of subsection (d) of this section as precedes paragraph (1) thereof, such term includes any institution which meets the requirements of paragraphs (1), (2), (4), (5), and (7) of this subsection. Notwithstanding the preceding provisions of this subsection, such term shall not, except for purposes of section 1805(d)(2), include any institution which is primarily for the care and treatment of tuberculosis or mental diseases.

"Utilization Review

"(c) A utilization review plan of a hospital or extended care facility shall be considered sufficient if it is applicable to services furnished by the institution to individuals entitled to insurance benefits under this title and if it provides—

"(1) for the review, on a sample or other basis, of admissions to the institution, the duration of stays therein, and the professional services (including drugs and biologicals) furnished, (A) with respect to the medical necessity of the services, and (B) for the purpose of promoting the most efficient use of available health facilities and services;

"(2) for such review to be made by either (A) a staff committee of the institution composed of two or more physicians, with or without participation of
other professional personnel, or (B) a group outside the institution which is similarly composed and (i) which is established by the local medical society and some or all of the hospitals and extended care facilities in the locality, or (ii) if (and for as long as) there has not been established such a group which serves such institution, which is established in such other manner as may be approved by the Secretary;

"(3) for such review, in each case in which in-patient hospital services are furnished to such an individual during a continuous period, as of the twenty-first day of such period, and as of such subsequent days of such period as may be specified in regulations, with such review to be made as promptly after such twenty-first or subsequent specified day as possible, and in no event later than one week following such day;

"(4) for such review, in each case in which post-hospital extended care is furnished to such an individual during a continuous period, at such intervals as may be specified in regulations; and

"(5) for prompt notification to the institution, the individual, and his attending physician of any finding (made after opportunity for consultation to such attending physician) by the physician members of such
1 committee or group that any further stay in the institu-
2 tion is not medically necessary.
3 The review committee must be composed as provided in
4 clause (B) of paragraph (2) rather than as provided in
5 clause (A) of such paragraph in the case of any hospital
6 or extended care facility where, because of the small size of
7 the institution, or (in the case of an extended care facility)
8 because of lack of an organized medical staff, or for such
9 other reason or reasons as may be included in regulations,
10 it is impracticable for the institution to have a properly
11 functioning staff committee for the purposes of this sub-
12 section.

"Posthospital Extended Care"

"(d) The term ‘posthospital extended care’ means the
following items and services furnished to an inpatient of an
extended care facility, after transfer from a hospital in which
he was an inpatient, and (except as provided in paragraph
(3)) by such extended care facility—

"(1) nursing care provided by or under the super-
vision of a registered professional nurse,

"(2) bed and board in connection with the fur-
nishing of such nursing care,

"(3) physical, occupational, or speech therapy
furnished by the extended care facility or by others under
arrangements with them made by the facility,
“(4) medical social services,

“(5) such drugs, biologicals, supplies, appliances, and equipment, furnished for use in the extended care facility, as are customarily furnished by such facility for the care and treatment of inpatients,

“(6) medical services provided by an intern or resident-in-training of a hospital, with which the facility has in effect a transfer agreement (meeting the requirements of subsection (f)), under a teaching program of such hospital approved as provided in subsection (a) (4), and

“(7) such other services necessary to the health of the patients as are generally provided by extended care facilities;

excluding, however, any item or service if it would not be included under subsection (a) if furnished to an inpatient of a hospital.

"Extended Care Facility"

“(e) The term ‘extended care facility’ means (except for purposes of section 1805(d) (2)) an institution (or a distinct part of an institution) which has in effect a transfer agreement (meeting the requirements of subsection (f)) with one or more hospitals having agreements in effect under section 1810 and which—

“(1) is primarily engaged in providing to in-
patients (A) skilled nursing care and related services for patients who require medical or nursing care or (B) rehabilitation services,

"(2) has policies, which are developed with the advice of (and with provision of review of such policies from time to time by) a group of professional personnel, including one or more physicians and one or more registered professional nurses, to govern the skilled nursing care and related medical or other services it provides,

"(3) has a physician, a registered professional nurse, or a medical staff responsible for the execution of such policies,

"(4) has a requirement that every patient must be under the care of a physician and makes provision in emergencies when such physician is not available for another physician to be available,

"(5) maintains clinical records on all patients,

"(6) provides twenty-four-hour nursing service which is sufficient to meet nursing needs in accordance with the policies developed as provided in subparagraph (2), and has at least one registered professional nurse employed full time,

"(7) provides appropriate methods and procedures for the dispensing and administering of drugs and biologicals,
“(8) has in effect a utilization review plan which meets the requirements of subsection (c),

“(9) in the case of an institution in any State in which State or applicable local law provides for the licensing of institutions of this nature, (A) is licensed pursuant to such law, or (B) is approved, by the agency of such State or locality responsible for licensing institutions of this nature, as meeting standards established for such licensing, and

“(10) meets such other conditions relating to the health and safety of individuals who are furnished services in such institution or relating to the physical facilities thereof as the Secretary may find necessary;

except that such term shall not (other than for purposes of section 1805(d)(2)) include any institution which is primarily for the care and treatment of tuberculosis or mental diseases. For purposes of section 1805(d)(2), such term includes any institution which meets the requirements of paragraph (1) of this subsection.

“Agreements for Transfer Between Extended Care Facilities and Hospitals

“(f) A hospital and an extended care facility shall be considered to have a transfer agreement in effect if, by reason of a written agreement between them or (in case the two institutions are under common control) by reason of a writ-
ten undertaking by the person or body which controls them, there is reasonable assurance that—

"(1) timely transfer of patients will be effected between the hospital and the extended care facility whenever such transfer is medically appropriate; and

"(2) there will be timely interchange of medical and other information necessary or useful in the care and treatment of individuals transferred between the institutions, or in determining whether such individuals can be adequately cared for otherwise than in either of such institutions.

"Home Health Services

"(g) The term ‘home health services’ means the following items and services furnished to an individual, who is under the care of a physician, by a home health agency or by others under arrangements with them made by such agency, under a plan (for furnishing such items and services to such individual) established and periodically reviewed by a physician, which items and services are provided in a place of residence used as such individual’s home—

"(1) part-time or intermittent nursing care provided by or under the supervision of a registered professional nurse,

"(2) physical, occupational, or speech therapy,

"(3) medical social services,
“(4) to the extent permitted in regulations, part-time or intermittent services of a home health aid,

“(5) medical supplies (other than drugs and biologicals), and the use of medical appliances, while under such a plan, and

“(6) in the case of a home health agency which is affiliated or under common control with a hospital, medical services provided by an intern or resident-in-training of such hospital, under a teaching program of such hospital approved as provided in subsection (a) (4); excluding, however, any item or service if it would not be included under subsection (a) if furnished to an inpatient of a hospital.

“Home Health Agency

“(h) The term ‘home health agency’ means an agency which—

“(1) is a public agency, or a private nonprofit organization exempt from Federal income taxation under section 501 of the Internal Revenue Code of 1954,

“(2) is primarily engaged in providing skilled nursing services or other therapeutic services,

“(3) has policies, established by a group of professional personnel (associated with the agency), including one or more physicians and one or more regis-
tered professional nurses, to govern the services (referred
to in paragraph (2)) which it provides, and provides
for supervision of such services by a physician or regis-
tered professional nurse,

"(4) maintains clinical records on all patients,

"(5) in the case of an agency in any State in
which State or applicable local law provides for the
licensing of agencies of this nature, (A) is licensed pur-
suant to such law, or (B) is approved, by the agency
of such State or locality responsible for licensing agencies
of this nature, as meeting standards established for such
licensing, and

"(6) meets such other conditions of participation
as the Secretary may find necessary in the interest of
the health and safety of individuals who are furnished
services by such agency;

except that such term shall not include any agency which is
primarily for the care and treatment of tuberculosis or mental
diseases.

"Outpatient Hospital Diagnostic Services

"(i) The term ‘outpatient hospital diagnostic services’
means diagnostic services—

"(1) which are furnished to an individual as an
outpatient by a hospital or by others under arrange-
ments with them made by a hospital, and
“(2) which are customarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study; excluding, however—

“(3) any item or service if it would not be included under subsection (a) if furnished to an inpatient of a hospital; and

“(4) any services furnished under such arrangements unless (A) furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff, and (B) in the case of professional services, furnished by or under the responsibility of members of the hospital medical staff acting as such members.

“Drugs and Biologicals in Hospitals and Extended Care Facilities

“(j) The term ‘drugs’ and the term ‘biologicals’, except for purposes of subsection (g) (5) of this section, include only such drugs and biologicals, respectively, as are included in the United States Pharmacopoeia, National Formulary, New Drugs, or Accepted Dental Remedies, or are approved by the pharmacy and drug therapeutics committee (or equivalent committee) of the medical staff of a hospital having an agreement in effect under section 1810.
"Arrangements for Certain Services

(k) The term 'arrangements' is limited to arrangements under which receipt of payment by the hospital, extended care facility, or home health agency (whether in its own right or as agent), with respect to services for which an individual is entitled to have payment made under this title, discharges the liability of such individual or any other person to pay for the services.

"Provider of Services

(l) The term 'provider of services' means a hospital, extended care facility, or home health agency.

"Physician

(m) The term 'physician', when used in connection with the performance of any function or action, means an individual (including a physician within the meaning of section 1101 (a) (7)) legally authorized to practice surgery or medicine by the State in which he performs such function or action.

"States and United States

(n) The term 'State' and 'United States' shall have the meaning ascribed to them in subsections (h) and (i), respectively, of section 210.
USE OF STATE AGENCIES AND OTHER ORGANIZATIONS TO DEVELOP CONDITIONS OF PARTICIPATION FOR PROVIDERS OF SERVICE

"Sec. 1807. In carrying out his functions, relating to determination of conditions of participation by providers of services, under section 1806(b) (8), section 1806(e) (11), or section 1806(b) (6), the Secretary shall consult with the Hospital Insurance Benefits Advisory Council established by section 1812, appropriate State agencies, and recognized national listing or accrediting bodies. Such conditions prescribed under any of such sections may be varied for different areas or different classes of institutions or agencies and may, at the request of a State, provide (subject to the limitation provided in section 1806(b) (8)) higher requirements for such State than for other States.

USE OF STATE AGENCIES AND OTHER ORGANIZATIONS TO DETERMINE COMPLIANCE BY PROVIDERS OF SERVICES WITH CONDITIONS OF PARTICIPATION

"Sec. 1808. (a) The Secretary may, pursuant to agreement, utilize the services of State health agencies or other appropriate State agencies for the purposes of (1) determining whether an institution is a hospital or extended care
facility, or whether an agency is a home health agency,
(2) providing consultative services to institutions or agencies
to assist them (A) to qualify as hospitals, extended care
facilities, or home health agencies, (B) to establish and
maintain fiscal records necessary for purposes of this title,
and (C) to provide information which may be necessary
to permit determination under this title as to whether pay-
ments are due and the amounts thereof, or (3) providing
consultative services to institutions, agencies, or societies to
assist in the establishment of utilization review procedures
meeting the requirements of section 1806(c) and in evalu-
ating their effectiveness. To the extent that the Secretary
finds it appropriate, an institution or agency which such a
State agency certified is a hospital, extended care facility,
or home health agency may be treated as such by the Secre-
tary. The Secretary shall pay any such State agency, in
advance or by way of reimbursement, as may be provided in
the agreement with it (and may make adjustments in such
payments on account of overpayments or underpayments
previously made), for the reasonable cost of performing the
functions specified in the first sentence of this subsection, and
for the fair share of the costs attributable to the planning
and other efforts directed toward coordination of activities in
carrying out its agreement and other activities related to the
provision of services similar to those for which payment may
be made under this title, or related to the facilities and per-
sonnel required for the provision of such services, or related
to improving the quality of such services.

“(b) (1) An institution shall be deemed to meet the
conditions of participation under section 1806 (b) (except
paragraph (6) thereof) if such institution is accredited as
a hospital by the Joint Commission on the Accreditation of
Hospitals. If such Commission, as a condition for accredi-
tation of a hospital, hereafter requires a utilization review
plan or imposes another requirement which serves sub-
stantially the same purpose, the Secretary is authorized to
find that all institutions so accredited by the Commission
comply also with section 1806 (b) (6).

“(2) If the Secretary finds that accreditation of an
institution by the American Osteopathic Association or
any other national accreditation body, other than the Joint
Commission on the Accreditation of Hospitals, provides
reasonable assurance that any or all of the conditions of
section 1806 (b), (e) or (h), as the case may be, are met,
he may, to the extent he deems it appropriate, treat such
institution as meeting the condition or conditions with respect
to which he made such finding.
"Requirement of Requests and Certifications

"SEC. 1809. (a) Except as provided in subsection (f), payment for services furnished an individual may be made only to providers of services which are eligible therefor under section 1810 (a) and only if—

"(1) written request, signed by such individual except in cases in which the Secretary finds it impractical for the individual to do so, is filed for such payment in such form, in such manner, within such time, and by such person or persons as the Secretary may by regulation prescribe;

"(2) a physician certifies (and recertifies, where such services are furnished over a period of time, in such cases, with such frequency, and accompanied by such supporting material, appropriate to the case involved. as may be provided in or pursuant to regulations) that—

"(A) in the case of inpatient hospital services, such services are or were required for such individual’s medical treatment, or that inpatient diagnostic study is or was medically required and such services are or were necessary for such purpose.

"(B) in the case of outpatient hospital diag-
nostic services, such services are or where required
for diagnostic study;

"(C) in the case of posthospital extended care, such care is or was required because the individual
needed skilled nursing care on a continuing basis
for any of the conditions with respect to which he
was receiving inpatient hospital services prior to
transfer to the extended care facility or for a con-
dition requiring such care which arose after such
transfer and while he was still in the facility for
treatment of the condition or conditions for which
he was receiving such inpatient hospital services;

"(D) in the case of home health services, such
services are or were required because the individual
is or was confined to his home and needed skilled
nursing care on an intermittent basis or physical or
speech therapy; a plan for furnishing such services
to such individual has been established and is peri-
odically reviewed by a physician; and such services
are or were furnished while the individual was
under the care of a physician;

"(3) with respect to inpatient hospital services fur-
nished such individual after the twenty-first day of a
continuous period of such services and with respect to
posthospital extended care furnished after such day of a
continuous period of such care as may be prescribed in or pursuant to regulations, there was not in effect, at the time of admission of such individual to the hospital or extended care facility, as the case may be, a decision under section 1810(e) (based on a finding that timely utilization review of long-stay cases is not being made in such hospital or facility):

"(4) with respect to inpatient hospital services or posthospital extended care furnished such individual during a continuous period, a finding has not been made (by the physician members of the committee or group) pursuant to the system of utilization review that further inpatient hospital services or further posthospital extended care, as the case may be, are not medically necessary; except that, if such a finding has been made, payment may be made for such services or care furnished before the fourth day after the day on which the hospital or extended care facility, as the case may be, received notice of such finding.

"Determination of Cost of Services

"(b) The amount paid to any provider of services with respect to services for which payment may be made under this title shall be the reasonable cost of such services, as determined in accordance with regulations establishing the method or methods to be used, and the items to be included,
in determining such costs for various types or classes of institutions, services, and agencies. In prescribing such regulations, the Secretary shall consider, among other things, the principles generally applied by national organizations or established prepayment organizations (which have developed such principles) in computing the amount of payment, to be made by persons other than the recipients of services, to providers of services on account of services furnished to such recipients by such providers. Such regulations may provide for determination of the costs of services on a per diem, per unit, per capita, or other basis, may provide for using different methods in different circumstances, and may provide for the use of estimates of costs of particular items or services.

"Amount of Payment for More Expensive Services

"(c) (1) In case the bed and board furnished as part of inpatient hospital services or posthospital extended care is in accommodations more expensive than two-, three-, or four-bed accommodations, payment under this title with respect to such services may not exceed an amount equal to the reasonable cost of such services if furnished in such two-, three-, or four-bed accommodations unless the more expensive accommodations were required for medical reasons.

"(2) Where a provider of services which has an agree-
ment in effect under this title furnishes to an individual items or services which are in excess of or more expensive than the items or services with respect to which payment may be made under this title, the Secretary shall pay to such provider of services only the equivalent of the reasonable cost of the items or services with respect to which payment under this title may be made.

"Amount of Payment Where Less Expensive Services Furnished"

"(d) In case the bed and board furnished as part of inpatient hospital services or posthospital extended care in accommodations other than, but not more expensive than, two-, three-, or four-bed accommodations and the use of such other accommodations rather than two-, three-, or four-bed accommodations was neither at the request of the patient nor for a reason which the Secretary determines is consistent with the purposes of this title, the amount of the payment with respect to such services or care under this title shall be the reasonable cost thereof (determined pursuant to subsection (b)) minus the difference between the charge customarily made by the hospital or extended care facility for such services or care in two-, three-, or four-bed accommodations and the charge customarily made by it for such services or care in the accommodations furnished.
"No Payments to Federal Providers of Services

" (e) No payment may be made under this title (except under subsection (f) of this section) to any Federal provider of services, except a provider of services which the Secretary determines is providing services to the public generally as a community institution or agency; and no such payment may be made to any provider of services for any item or service which such provider is obligated by a law of, or a contract with, the United States to render at public expense.

"Payments for Emergency Inpatient Hospital Services

" (f) Payments shall also be made to any hospital for inpatient hospital services or outpatient hospital diagnostic services furnished, by the hospital or under arrangements (as defined in section 1806 (k) ) with it, to an individual entitled to hospital insurance benefits under this title even though such hospital does not have an agreement in effect under this title if (A) such services were emergency services and (B) the Secretary would be required to make such payment if the hospital had such an agreement in effect and otherwise met the conditions of payment hereunder. Such payment shall be made only in amounts determined as provided in subsection (b) and then only if such hospital agrees to comply, with respect to the emergency services provided, with the provisions of section 1810 (a).
"Payment for Services Prior to Notification of Non-
eligibility

"(g) Notwithstanding that an individual is not entitled
to have payment made under this title for inpatient hospital
services, posthospital extended care, home health services,
or outpatient hospital diagnostic services furnished by any
provider of services, payment shall be made to such provider
of services (unless such provider elects not to receive such
payment or, if payment has already been made, refunds
such payment within the time specified by the Secretary)
for such services which are furnished to the individual prior
to notification to such provider from the Secretary of his
lack of entitlement, if such payments are not precluded under
this title (otherwise than under section 1804 or 1805) and
if such provider of services complies with the requirements
of and regulations under this title with respect to such pay-
ments, has acted in good faith and without knowledge of
such lack of entitlement, and has acted reasonably in assum-
ing entitlement existed.

"AGREEMENTS WITH PROVIDERS OF SERVICES

"Sec. 1810. (a) (1) Any provider of services shall be
eligible for payments under this title if it files with the
Secretary an agreement—

"(A) not to charge, except as provided in para-
graph (2), any individual or any other person for
items or services for which such individual is entitled
to have payment made under this title (or for which
he would be so entitled if such provider of services had
complied with the procedural and other requirements
under or pursuant to this title or for which such provider
is paid pursuant to the provisions of section 1809 (g) ),
and
"(B) to make adequate provision for return (or
other disposition, in accordance with regulations) of
any moneys incorrectly collected from such individual
or other person.
"
"(2) (A) A provider of services may charge such in-
dividual or other person the amount of any deduction im-
posed pursuant to subsection (a) of section 1805 with
respect to such items and services (not in excess of the
amount customarily charged for such items and services by
such provider).
"
"(B) Where a provider of services has furnished, at
the request of such individual, items or services which are
in excess of or more expensive than the items or services
with respect to which payment may be made under this title,
such provider of services may also charge such individual or
other person for such more expensive items or services to the
extent that the amount customarily charged by it for the
items or services furnished at such request exceeds the
amount customarily charged by it for the items or services with respect to which payment may be made under this title.

"(b) An agreement with the Secretary under this section may be terminated—

"(1) by the provider of services at such time and upon such notice to the Secretary and the public as may be provided in regulations, except that notice of more than 6 months shall not be required, or

"(2) by the Secretary at such time and upon such notice to the provider of services and the public as may be specified in regulations, but only after the Secretary has determined, and has given such provider notification thereof, (A) that such provider of services is not complying substantially with the provisions of such agreement, or with the provisions of this title and regulations thereunder, or (B) that such provider of services no longer substantially meets the applicable provisions of section 1806, or (C) that such provider of services has failed to provide such information as the Secretary finds necessary to determine whether payments are or were due under this title and the amounts thereof, or has refused to permit such examination of its fiscal and other records by or on behalf of the Secretary as may be necessary to verify such information."
Any termination shall be applicable—

"(3) in the case of inpatient hospital services or posthospital extended care with respect to such services or care furnished to any individual who is admitted to the hospital or extended care facility furnishing such services or care on or after the effective date of such termination,

"(4) (A) with respect to home health services furnished to an individual under a plan therefor established on or after the effective date of such termination, or (B) if a plan is established before such effective date, with respect to such services furnished to such individual after the calendar year in which such termination is effective, and

"(5) with respect to outpatient hospital diagnostic services furnished on or after the effective date of such termination.

"(c) Nothing in this title shall preclude any provider of services or any group or groups of providers of services from being represented by an individual, association, or organization authorized by such provider or providers of services to act on its or their behalf in negotiating with respect to its or their participation under this title and the terms, methods, and amounts of payments for services to be provided thereunder.
“(d) Where an agreement filed under this title by a
provider or services has been terminated by the Secretary,
such provider may not file another agreement under this
title unless the Secretary finds that the reason for the termi-
nation has been removed and that there is reasonable assur-
ance that it will not recur.

“(e) If the Secretary finds that there is a substantial
failure to make timely review in accordance with section
1806(c) of long-stay cases in a hospital or extended-care
facility, he may, in lieu of terminating his agreement with
such hospital or facility, decide that, with respect to any
individual admitted to such hospital or facility after a date
specified by him, no payment shall be made for inpatient
hospital services after the twenty-first day of a continuous
period of such services or for post-hospital extended care
after such day of a continuous period of such care as is pre-
scribed in or pursuant to regulations, as the case may be.
Such decision may be made only after such notice to the hos-
pital, or (in the case of an extended care facility) to the facil-
ity and the hospital or hospitals with which it has a transfer
agreement, and to the public as may be prescribed by regu-
lations, and its effectiveness shall terminate when the Secre-
tary finds that the reason therefor has been removed and
that there is reasonable assurance that it will not recur.
"PAYMENT TO PROVIDERS OF SERVICES"

"SEC. 1811. The Secretary shall periodically determine the amount which should be paid to each provider of services under this title with respect to the services furnished by it, and the provider of services shall be paid, at such time or times as the Secretary believes appropriate (but not less often than monthly) and prior to audit or settlement by the General Accounting Office, from the Federal Hospital Insurance Trust Fund the amounts so determined, with necessary adjustments on account of previously made overpayments or underpayments.

"HOSPITAL INSURANCE BENEFITS ADVISORY COUNCIL"

"SEC. 1812. For the purpose of advising the Secretary on matters of general policy in the administration of this title and in the formulation of regulations under this title, there is hereby created a Hospital Insurance Benefits Advisory Council which shall consist of sixteen persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the civil service laws. The Secretary shall from time to time appoint one of the members to serve as Chairman. The appointed members shall include persons who are outstanding in fields related to hospital and health activities. Each appointed member shall hold office for a term of four years, except that any member appointed to
fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, four at the end of the first year, four at the end of the second year, four at the end of the third year, and four at the end of the fourth year after the date of appointment. An appointed member shall not be eligible to serve continuously for more than 2 terms. The Secretary may, at the request of the Council or otherwise, appoint such special advisory or technical committees as may be useful in carrying out this title. Appointed members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2) for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of four or
more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council.

"REVIEW OF DETERMINATIONS"

"SEC. 1813. Any individual dissatisfied with any determination made by the Secretary that he is not entitled to insurance benefits under this title or that payment has already been made for the maximum number of days of inpatient hospital services or posthospital extended care in a benefit period provided under section 1805 (c), or for home health services during the maximum number of visits in a calendar year provided under section 1805 (c), shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g).

"OVERPAYMENTS TO INDIVIDUALS"

"SEC. 1814. (a) Any payment under this title to any provider of services with respect to inpatient hospital services, posthospital extended care, home health services, or outpatient hospital diagnostic services, furnished any individual shall be regarded as a payment to such individual.

"(b) Where—

"(1) more than the correct amount is paid under this title to a provider of services for services or care furnished an individual and the Secretary determines
that, within such period as he may specify, the excess over the correct amount cannot be recouped from such provider of services, or

“(2) any payment has been made under section 1809 (g) to a provider of services for services or care furnished an individual,

proper adjustments shall be made, under regulations prescribed by the Secretary, by decreasing subsequent payments—

“(3) to which such individual is entitled under title II, or

“(4) if such individual dies before such adjustment has been completed, to which any other individual is entitled under title II with respect to the wages and self-employment income which were the basis of benefits of such deceased individual under such title.

“(c) There shall be no adjustment as provided in subsection (b) (nor shall there be recovery) in any case where the incorrect payment has been made (including payments under section 1809 (g) ) with respect to an individual who is without fault and where such adjustment (or recovery) would defeat the purposes of title II or would be against equity and good conscience.

“(d) No certifying or disbursing officer shall be held liable for any amount certified or paid by him to any pro-
vider of services where the adjustment or recovery of such amount is waived under subsection (c) or where adjustment under subsection (b) is not completed prior to the death of all persons against whose benefits such adjustment is authorized.

"USE OF PRIVATE ORGANIZATIONS TO FACILITATE PAYMENT TO PROVIDERS OF SERVICES"

"Sec. 1815. (a) The Secretary is authorized to enter into an agreement with any organization, which has been designated by any group of providers of services, or by an association of such providers on behalf of its members, to receive payments under section 1811 on behalf of such providers, providing for the determination by such organization (subject to such review by the Secretary as may be provided for by the agreement) of the amount of payments required pursuant to this title to be made to such providers, and for making such payments. The Secretary shall not enter into an agreement with any organization under this section unless he finds it consistent with effective and efficient administration of this title.

(b) To the extent that the Secretary finds that performance of any of the following functions by an organization with which he has entered into an agreement under subsection (a) will be advantageous and will promote the efficient administration of this title, he may also include in
the agreement provision that the organization shall (with respect to providers of services which are to receive payments through the organization)—

“(1) serve as a center for, and communicate to provides, any information or instructions furnished to it by the Secretary, and serve as a channel of communication from providers to the Secretary;

“(2) make such audits of the records of providers as may be necessary to insure that proper payments are made under this title;

“(3) assist in the application of safeguards against unnecessary utilization of services or care furnished by providers to individuals entitled to have payment made under this title with respect to services or care furnished them;

“(4) perform such other duties as are necessary to carry out the functions specified in subsection (a) and this subsection.

“(c) An agreement with any organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate, and may provide for advances of funds to the organization for the making of payments by it under subsection (a) and shall provide for payment of the reasonable cost of administration of the organization as determined by the Secretary to be necessary
and proper for carrying out the functions covered by the agreement.

“(d) If the designation of an organization as provided in this section is made by an association of providers of services, it shall not be binding on members of the association which notify the Secretary of their election to that effect. Any provider may, upon such notice as may be specified in the agreement with an organization, withdraw his designation to receive payments through such organization and any provider who has not designated an organization may elect to receive payments from an organization which has entered into agreement with the Secretary under this section, if the Secretary and the organization agree to it.

“(e) An agreement with the Secretary under this section may be terminated—

“(1) by the organization entering into such agreement at such time and upon such notice to the Secretary, to the public, and to the providers as may be provided in regulations, or

“(2) by the Secretary at such time and upon such notice to the organization, and to the providers which have designated it for purposes of this section, as may be provided in regulations, but only if he finds, after reasonable notice and opportunity for hearing to the organization, that (A) the organization has failed sub-
stantially to carry out the agreement, or (B) the continu-
continuation of some or all of the functions provided for in
the agreement with the organization is disadvantageous
or is inconsistent with efficient administration of this
title.

"(f) An agreement with an organization under this
section may require any of its officers or employees certifying payments or disbursing funds pursuant to the agreement,
or otherwise participating in carrying out the agreement,
to give surety bond to the United States in such amount
as the Secretary may deem appropriate, and may provide
for the payment of the charges for such bond from the
Federal Hospital Insurance Trust Fund.

"(g) (1) No individual designated pursuant to an agree-
ment under this section as a certifying officer shall, in the
absence of gross negligence or intent to defraud the United
States, be liable with respect to any payments certified by
him under this section.

"(2) No disbursing officer shall, in the absence of gross
negligence or intent to defraud the United States, be liable
with respect to any payment by him under this section if it
was based upon a voucher signed by a certifying officer des-
ignated as provided in paragraph (1) of this subsection.

REGULATIONS

"Sec. 1816. When used in this title, the term 'regula-
tions' means, unless the context otherwise requires. regulations prescribed by the Secretary.

"APPLICATION OF CERTAIN PROVISIONS OF TITLE II

"Sec. 1817. The provisions of sections 206, 208, and 216(j), and of subsections (a), (d), (e), (f), (h), (i), and (l) of section 205 shall also apply with respect to this title to the same extent as they are applicable with respect to title II.

"DESIGNATION OF ORGANIZATION OR PUBLICATION BY NAME

"Sec. 1818. Designation in this title, by name, of any nongovernmental organization or publication shall not be affected by change of name of such organization or publication, and shall apply to any successor organization or publication which the Secretary finds serves the purpose for which such designation is made."

FEDERAL HOSPITAL INSURANCE TRUST FUND

Sec. 103. (a) Section 201 of the Social Security Act is amended by redesignating subsections (c), (d), (e), (f), (g), and (h) as subsections (d), (e), (f), (g), (h), and (i), respectively, and by adding after subsection (b) the following new subsection:

"(c) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the 'Federal Hospital Insurance Trust Fund'. The Federal
Hospital Insurance Trust Fund shall consist of such amounts as may be appropriated to, or deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Hospital Insurance Trust Fund for the fiscal year ending June 30, 1966, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

"(1) (A) 0.6 of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1965, and prior to January 1, 1967, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; (B) 0.76 of 1 per centum of the wages (as so defined) paid after December 31, 1966, and prior to January 1, 1969, and so reported, which shall be so certified by the Secretary of Health, Education, and Welfare; and (C) 0.9 of 1 per centum of the wages (as so defined) paid after December 31, 1968, and so reported, which shall be so certified by the Secretary of Health, Education, and Welfare; and

"(2) (A) 0.45 of 1 per centum of the amount of
self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1965, and prior to January 1, 1967, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns; (B) 0.57 of 1 per centum of the self-employment income (as so defined) reported to the Secretary of the Treasury or his delegate on tax returns under such subtitle F for any taxable year beginning after December 31, 1966, and prior to January 1, 1969, which shall be so certified by the Secretary of Health, Education, and Welfare; and (C) 0.675 of 1 per centum of the self-employment income (as so defined) reported to the Secretary of the Treasury or his delegate on tax returns under such subtitle F for any taxable year beginning after December 31, 1968, which shall be so certified by the Secretary of Health, Education, and Welfare.”

(b) (1) The heading of section 201 of the Social Security Act is amended to read: “FEDERAL OLD-AGE AND
SURVIVORS INSURANCE TRUST FUND, FEDERAL DISABILITY INSURANCE TRUST FUND, AND FEDERAL HOSPITAL INSURANCE TRUST FUND”.

(2) Subsection (a) of section 201 of such Act is amended by inserting “and the amounts specified in clause (1) of subsection (c) of this section” immediately before the semicolon in clause (3) thereof, by inserting “and the amount specified in clause (2) of subsection (c) of this section” immediately before the period in clause (4) thereof, and by striking out the last sentence and inserting in lieu thereof: “The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund, the amounts appropriated by clauses (1) and (2) of subsection (b) shall be transferred from time to time from the general fund in the Treasury to the Federal Disability Insurance Trust Fund, and the amounts appropriated by clauses (1) and (2) of subsection (c) shall be transferred from time to time from the general fund in the Treasury to the Federal Hospital Insurance Trust Fund, such amounts to be determined on the basis of estimates by the Secretary of the Treasury of the taxes, specified in clauses (3) and (4) of this subsection, paid to or deposited into the Treasury; and proper adjustment shall be made in amounts subsequently transferred to the extent prior esti-
mates were in excess of or were less than the taxes specified in such clauses (3) and (4) of this subsection.”

(c) The first sentence of the subsection of such section 201 herein redesignated as subsection (d) is amended by striking out “and the Federal Disability Insurance Trust Fund” and inserting in lieu thereof “, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund”.

(d) The subsection of such section herein redesignated as subsection (g) is amended by striking out “and the Federal Disability Insurance Trust Fund” each time that it appears and inserting in lieu thereof “, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund”.

(e) Paragraph (1) of the subsection of such section 201 herein redesignated as subsection (h) is amended—

(1) by striking out “titles II and VIII” and “this title” wherever they appear and inserting in lieu thereof “this title and title XVIII”;

(2) by striking out “either or both” in the third sentence of such paragraph (1) and inserting in lieu thereof “any”; and

(3) by striking out “the other” each time that it appears in the last two sentences of such paragraph (1) and inserting in lieu thereof “another”.
(f) The last sentence of paragraph (2) of such subsection is amended by striking out "and the Federal Disability Insurance Trust Fund" and inserting in lieu thereof "Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund" and by striking out "and clause (1) of subsection (b)" and inserting in lieu thereof "clause (1) of subsection (b), and clause (1) of subsection (c)".

(g) The subsection of such section herein redesignated as subsection (i) is amended by adding at the end thereof the following new sentence: "Payments required to be made under title XVIII shall be made only from the Federal Hospital Insurance Trust Fund."

(h) Section 218(h)(1) of such Act is amended by striking out "and (b)(1)" and inserting in lieu thereof "(b)(1), and (c)(1)".

(i) Section 221(e) of such Act is amended—

(1) by striking out "Trust Funds" wherever it appears and inserting in lieu thereof "Trust Funds (except the Federal Hospital Insurance Trust Fund)";

(2) by striking out "subsection (g) of section 201" and inserting in lieu thereof "subsection (h) of section 201"; and

(3) by inserting "under this title" before the period at the end thereof.
(j) Section 221(f) of such Act is amended by striking out "Trust Funds" and inserting in lieu thereof "Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund".

(k) Section 1106(b) of such Act is amended by striking out "and the Federal Disability Insurance Trust Fund" and inserting in lieu thereof "the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund".

TRANSITIONAL PROVISION ON ELIGIBILITY OF PRESENTLY UNINSURED INDIVIDUALS FOR HOSPITAL INSURANCE BENEFITS

SEC. 104. (a) Anyone who—

(1) has attained the age of 65,

(2) (A) attained such age before 1968, or (B) has not less than 3 quarters of coverage (as defined in title II of the Social Security Act or section 5(1) of the Railroad Retirement Act of 1937), whenever acquired, for each calendar year elapsing after 1965 and before the year in which he attained such age,

(3) is not, and upon filing application therefor would not be, entitled to monthly insurance benefits under section 202 of the Social Security Act and does not meet the requirements set forth in subparagraph (B) of
section 21 (b) of the Railroad Retirement Act of 1937, and

(4) has filed an application under this section at such time, in such manner, and in accordance with such other requirements as may be prescribed in regulations of the Secretary, shall (subject to the limitations in this section) be deemed, solely for purposes of section 1804 of the Social Security Act, to be entitled to monthly insurance benefits under such section 202 for each month, beginning with the first month in which he meets the requirements of this subsection and ending with the month in which he dies, or if earlier, the month before the month in which he becomes entitled to monthly insurance benefits under such section 202 or meets the requirements set forth in subparagraph (B) of section 21 (b) of the Railroad Retirement Act of 1937.

(b) The provisions of subsection (a) (1) shall not apply to any individual unless he is—

(A) a resident of the United States (as defined in section 210 of the Social Security Act), and

(B) a citizen of the United States or an individual who has resided in the United States (as so defined) continuously for not less than 10 years; and shall not apply to any individual who—
(C) is a member of any organization referred to in section 210(a)(17) of the Social Security Act,

(D) has been convicted of any offense listed in section 202(u) of the Social Security Act,

(E) is covered by an enrollment in a health benefits plan under the Federal Employees Health Benefits Act of 1959 or who could have been so covered had he or some other individual availed himself of opportunities to enroll in a health benefits plan under such Act and (where the Federal employee has retired) to continue such enrollment after retirement, or (B) is or was eligible to be covered by an enrollment in a health benefits plan under the Retired Federal Employees Health Benefits Act.

(d) There are authorized to be appropriated to the Federal Hospital Insurance Trust Fund (established by section 201 of the Social Security Act) from time to time such sums as the Secretary deems necessary, on account of—

(1) payments made from such Trust Fund under title XVIII of such Act with respect to individuals who are entitled to insurance benefits under such title solely by reason of this section,

(2) the additional administrative expenses resulting therefrom, and
(3) any loss in interest to such Trust Fund resulting from the payment of such amounts,
in order to place such Trust Fund in the same position in which it would have been if the preceding subsections of this section had not been enacted.

**SUSPENSION IN CASE OF ALIENS**

SEC. 105. Subsection (t) of section 202 of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(9) No payments shall be made under title XVIII with respect to services or care furnished to an individual in any month for which the prohibition in paragraph (1) against payment of benefits to him is applicable (or would be if he were entitled to any such benefits)."

**PERSONS CONVICTED OF SUBVERSIVE ACTIVITIES**

SEC. 106. Subsection (u) of section 202 of the Social Security Act is amended by striking out "and" before the phrase "in determining the amount of any such benefit payable to such individual for any such month," and inserting after such phrase "and in determining whether such individual is entitled to insurance benefits under title XVIII for any such month,".
ADVISORY COUNCIL ON SOCIAL SECURITY

SEC. 107. (a) Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"ADVISORY COUNCIL ON SOCIAL SECURITY

"SEC. 706. (a) During 1968 and every fifth year thereafter, the Secretary shall appoint an Advisory Council on Social Security for the purpose of reviewing the status of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program and the program established under title XVIII of the Social Security Act, and of reviewing the scope of coverage and the adequacy of benefits under, and all other aspects of, these programs.

"(b) Each such Council shall consist of the Commissioner of Social Security, as Chairman, and twelve other persons, appointed by the Secretary without regard to the civil service laws, who shall, to the extent possible, represent employers and employees in equal numbers, and self-employed persons and the public."
“(c) (1) Any Council appointed hereunder is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition, make available to such Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

“(2) Members of any such Council, while serving on business of the Council (inclusive of travel time), shall receive compensation at rates fixed by the Secretary, but not exceeding $100 per day and, while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2) for persons in the Government employed intermittently.

“(d) Each such Council shall make a report of its findings and recommendations (including recommendations for changes in the tax rates in sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954) to the Secretary of the Board of Trustees of the Trust Funds referred to in
subsection (a), such report to be submitted not later than
January 1 of the second year after the year in which it is
appointed, after which date such Council shall cease to exist,
and such report and recommendations shall be included in
the annual report of the Board of Trustees to be submitted
to the Congress not later than the March 1 following such
January 1."

(b) Effective January 1, 1966, section 116(e) of the
Social Security Amendments of 1956 is repealed.

TECHNICAL AMENDMENTS TO INTERNAL REVENUE CODE

SEC. 108. (a) Section 3121(l)(6) of the Internal
Revenue Code of 1954 is amended by striking out "and the
Federal Disability Insurance Trust Fund," and inserting in
lieu thereof, "the Federal Disability Insurance Trust Fund,
and the Federal Hospital Insurance Trust Fund,"

(b) Section 6051(c) of such Code is amended by
adding at the end thereof the following new sentence: "The
Secretary or his delegate may require that the statements
required under this section shall also show the proportion
of the total amount withheld as tax under section 3101 which
is for financing the cost of hospital and related insurance
benefits under title XVIII of the Social Security Act."
PART B—RAILROAD RETIREMENT AMENDMENTS—HOSPITAL INSURANCE BENEFITS FOR THE AGED UNDER THE RAILROAD RETIREMENT ACT

HOSPITAL INSURANCE BENEFITS FOR THE AGED

SEC. 121. (a) The Railroad Retirement Act of 1937 is amended by adding after section 20 of such Act the following new section:

"Hospital Insurance Benefits for the Aged

"SEC. 21. (a) For the purposes of this section, and subject to the conditions hereinafter provided, the Board shall have the same authority to determine the rights of individuals described in subsection (b) of this section to have payments made on their behalf for insurance benefits consisting of inpatient hospital services, posthospital extended care, home health services, and outpatient hospital diagnostic services within the meaning of title XVIII of the Social Security Act as the Secretary of Health, Education, and Welfare has under such title XVIII with respect to individuals to whom such title applies. The rights of individuals described in subsection (b) of this section to have payment made on their behalf for the services and care referred to in the next preceding sentence shall be the same as those of individuals to whom title XVIII of the Social Security Act applies and this section shall be administered by the Board as if the provisions of such title XVIII were applicable,
references to the Secretary of Health, Education, and Welfare were to the Board, references to the Federal Hospital Insurance Trust Fund were to the Railroad Retirement Account, references to the United States or a State included Canada or a subdivision thereof, and the provisions of sections 1807 and 1812 of such title XVIII were not included in such title. For purposes of section 11, a determination with respect to the rights of an individual under this section shall, except in the case of a provider of services, be considered to be a decision with respect to an annuity.

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

"(A) has attained age 65, and

"(B) (i) is entitled to an annuity, or (ii) would be entitled to an annuity had he ceased compensated service and, in the case of a spouse, had such spouse’s husband or wife ceased compensated service, or (iii) had been awarded a pension under section 6, or (iv) bears a relationship to an employee which, by reason of section 3 (e), has been, or would be, taken into account in calculating the amount of an annuity of such employee or his survivor,

shall be entitled to have payment made for the services and care referred to in subsection (a), and in accordance with the provisions of such subsection. The payments for serv-
ices and care herein provided for shall be made from the Railroad Retirement Account (in accordance with, and subject to, the conditions applicable under section 10(b) in making payment of other benefits) to the hospital, extended care facility, or home health agency providing such services or care, including such services or care provided in Canada to individuals to whom this subsection applies but only to the extent that the amount of payments for services or care otherwise hereunder provided for an individual exceeds the amount payable for like services or care provided pursuant to the law in effect in the place in Canada where such services or care are furnished. For the purposes of this section, an individual shall be entitled to have payment made for the services and care referred to in subsection (a) provided during the month in which he died if he would be entitled to have payment for services and care provided during such month had he died in the next month.

"(c) No individual shall be entitled to have payment made for the same services or care, which are provided for in this section, under both this section and title XVIII of the Social Security Act, and no individual shall be entitled to have payment made under both this section and such title XVIII for more than sixty days of inpatient hospital services or more than sixty days of post-hospital extended care during any benefit period, or more than one hundred and
twenty visits in calendar year 1966 or two hundred and forty visits in any calendar year thereafter in which home health services are furnished. In any case in which an individual would, but for the preceding sentence, be entitled to have payment for such services or care made under both this section and such title XVIII, payment for such services or care to which such individual is entitled shall be made in accordance with the procedures established pursuant to the next succeeding sentence, upon certification by the Board or by the Secretary of Health, Education, and Welfare. It shall be the duty of the Board and such Secretary with respect to such cases jointly to establish procedures designed to minimize duplications of requests for payment for services or care, and of determinations, and to assign administrative functions between them so as to promote the greatest facility, efficiency, and consistency of administration of this section and title XVIII of the Social Security Act; and, subject to the provisions of this subsection to assure that the rights of individuals under this section or title XVIII of the Social Security Act shall not be impaired or diminished by reason of the administration of this section and title XVIII of the Social Security Act. The procedures so established may be included in regulations issued by the Board and by the Secretary of Health, Education, and Wel-
fare to implement this section and such title XVIII, respectively.

"(d) Any agreement entered into by the Secretary of Health, Education, and Welfare pursuant to title XVIII of the Social Security Act shall be entered into on behalf of both such Secretary and the Board. The preceding sentence shall not be construed to limit the authority of the Board to enter on its own behalf into any such agreement relating to services provided in Canada or in any facility devoted primarily to railroad employees.

"(e) A request for payment for services or care filed under this section shall be deemed to be a request for payment for services or care filed as of the same time under title XVIII of the Social Security Act, and a request for payment for services or care filed under such title shall be deemed to be a request for payment for services or care filed as of the same time under this section.

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

"(g) Any erroneous payment to any provider of services with respect to inpatient hospital services, posthospital extended care, home health services, or outpatient diagnostic
services, furnished any individual shall be governed by the
provisions of section 1814 of the Social Security Act and
treated as if it were an erroneous payment of an annuity
or pension.

"(h) There are authorized to be appropriated to the
Railroad Retirement Account from time to time such sums
as the Board finds sufficient to cover—

"(1) the costs of payments made from such account
under this section,

"(2) the additional administrative expenses result-
ing from such payments, and

"(3) any loss of interest to such account resulting
from such payments,

in cases where such payments are not includible in determi-
nations under section 5(k) (2) (A) (iii) of this Act, pro-
vided such payments could have been made as a result of
section 104 of the Hospital Insurance Act of 1965 but for
eligibility under subparagraph (B) of subsection (b) of this
section."

Financial Interchange Between Railroad Retirement Account
and Federal Hospital Insurance Trust Fund

(b)(1) Section 5(k) (2) of such Act is amended—
(A) by striking out subparagraphs (A) and (B)
and redesignating subparagraphs (C), (D), and (E)
as subparagraphs (A), (B), and (C), respectively;
(B) by striking out the second sentence and the last sentence of subdivision (i) of the subparagraph redesignated as subparagraph (A) by subparagraph (A) of this paragraph; and by striking out from the said subdivision (i) "the Retirement Account" and inserting in lieu thereof "the Railroad Retirement Account (hereinafter termed 'Retirement Account')";

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

"(iii) At the close of the fiscal year ending June 30, 1966, and each fiscal year thereafter, the Board and the Secretary of Health, Education, and Welfare shall determine the amount, if any, which, if added to or subtracted from the Federal Hospital Insurance Trust Fund, would place such fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act. Such determination shall be made no later than June 15 following the close of the fiscal year. If such amount is to be added to the Federal Hospital Insurance Trust Fund the
Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Federal Hospital Insurance Trust Fund; if such amount is to be subtracted from the Federal Hospital Insurance Trust Fund the Secretary of Health, Education, and Welfare shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Federal Hospital Insurance Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined under subparagraph (B) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification;”

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

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

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

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

(2) The amendments made by paragraph (1) of this subsection shall be effective January 1, 1966.
PART C—MISCELLANEOUS PROVISIONS

STUDIES AND RECOMMENDATIONS

SEC. 131. The Secretary of Health, Education, and Welfare shall carry on studies and develop recommendations to be submitted from time to time to the Congress relating to health care of the aged including studies and recommendations concerning (1) the adequacy of other programs for health care of the aged and the adequacy of existing facilities for health care for purposes of the program established by this title; (2) methods for encouraging the further development of efficient and economical forms of health care which are a constructive alternative to inpatient hospital care; (3) the feasibility of providing additional types of health insurance benefits (including benefits relating to mental diseases) within the financial resources provided by this Act; (4) the effects of the deductibles upon beneficiaries, hospitals, and the financing of the program; and (5) the authorization of payments with respect to additional days of post-hospital extended care where the number of days of inpatient hospital services in a benefit period for which payment is made is less than the maximum provided under the program.
PART D—COMPLEMENTARY PRIVATE HEALTH BENEFITS

COVERAGE FOR INDIVIDUALS AGED SIXTY-FIVE OR OVER

PURPOSE

SEC. 141. The Congress hereby declares that it is the purpose of this part to provide, for all individuals aged sixty-five or over, the opportunity to secure at reasonable cost private health benefits coverage which will protect them against the cost of health services which are not covered under the program established by title XVIII of the Social Security Act.

DEFINITIONS

SEC. 142. For purposes of the succeeding provisions of this part—

(a) the term "health benefits plan" means the policy, contract, agreement, or other arrangement entered into between a carrier and another person whereby the carrier, in consideration of the payment to it of a periodic premium, undertakes to provide, pay for, or provide reimbursement for the cost of, health services for the individual (or group of individuals) who are the beneficiaries of such policy, contract, agreement, or other arrangement;

(b) the term "health benefits" means provision of, payment for, or reimbursement for the cost of, all or
any part of any medical care or any other remedial care
recognized under State law, but only to the extent that
such care is not covered under the program established
by title XVIII of the Social Security Act;

(c) the term "carrier" means an association, cor-
poration, partnership, or other nongovernmental organ-
ization which may lawfully offer health benefit plans in
any one or more States (which, for purposes of this
part, includes Puerto Rico, the Virgin Islands, the Dis-
trict of Columbia, Guam, and American Samoa); and

(d) the term "premium" means the amount of the
consideration charged by a carrier for coverage by a
health benefits plan offered by the carrier.

REQUIREMENTS FOR APPROVAL

SEC. 143. (a) Any two or more carriers desiring to
secure the benefit of this part and forming an association
for this purpose may file with the Secretary an application
for approval of a health benefits plan offering health benefits
for the aged designed to complement the health insurance
benefits provided for eligible individuals under title XVIII
of the Social Security Act.

(b) The Secretary shall approve any such health bene-
fits plan if—

(1) the plan provides reasonable assurance that it
will provide, pay for, or provide reimbursement for the
cost of, health services the cost of which amounts on
the average, in the judgment of the Secretary, to not
less than 75 per centum of the cost of physicians’ services
for aged persons 65 years of age or older;

(2) the association files with the Secretary an
agreement providing that—

(A) membership in the association will be
open to all carriers which desire to participate in
offering the approved plan and which are able and
willing to abide by the requirements of the
association;

(B) the terms and conditions of such plan as
well as the terms and conditions under which it is
offered and sold will be uniform, except that, sub-
ject to limitations in regulations of the Secretary
(i) the premiums and benefits under the plan may
be varied for different areas of any State or of the
United States whenever necessary to reflect differ-
ences in the cost of securing health services with
respect to which protection is provided under such
plan, and (ii) limitations upon the period, during
each year, when the plan is offered to new sub-
scribers in order to minimize the factor of adverse
selection in the sale of the plan (which may be
established by the association subject to limitations
in regulations of the Secretary) may be varied for
different areas of any State or of the United States,
and except that the plan may be varied with respect
to particular States to the extent permitted under
paragraph (3) hereof;

(C) the operations of the association and any
member thereof with respect to such plan will be
on a nonprofit basis and, on dissolution of the asso-
ciation, any premiums or other funds collected or
accruing as the result of such plan and remaining
after payment of the obligations of the association,
or of any member with respect to such plan, will
be paid to the United States;

(D) the association and its members will ad-
here to such limitations on the amount claimed for
administrative and other expenses in connection
with the plan as the Secretary may prescribe in
order to hold such expenses within reasonable limits;

(E) any plan offered for sale in conjunction
with the plan approved under this part and which
is designed to provide health benefits supplementary
to those provided under such approved plan will
be offered in a manner which enables prospective
subscribers clearly to distinguish between the two
plans;
(3) the plan (A) is approved without change by
the State agencies, of a majority of States or of States
with a majority of the population of the United States
(according to the most recent data available to the
Secretary from the Department of Commerce), engaged
in supervising carriers offering health benefits plans for
sale in their respective States, and (B) is approved,
in any other States in which it is offered for sale, with
only such modifications as may be necessary to meet
special requirements of such agencies in each of such
other States and as are approved as reasonable by the
Secretary.

EXEMPTION OF ASSOCIATIONS FROM CERTAIN LAWS

Sec. 144. The provisions of the Act of July 2, 1890, as
amended (known as the Sherman Act), other than so much
thereof as relates to any agreement to boycott, coerce, or
intimidate or any act of boycott, coercion, or intimidation; the
Act of October 15, 1914, as amended (known as the Clayton
Act); the Federal Trade Commission Act; and the antitrust
laws of any State shall not apply to so much of the operations
of any association, or of any member of such an association,
as is concerned exclusively with offering for sale, selling, and
administering any plan approved under this part.

COMPLIANCE PROVISIONS

Sec. 145. (a) If, after reasonable notice and opportu-
nity for hearing to an association or to a member thereof, the Secretary determines that such association or member has failed to comply substantially with any requirement of section 143 or that the plan of such association approved under this part has been so changed that it no longer complies with any such requirement, the provisions of section 144 shall not apply to the association and its members, or to such member, as the case may be, until such time as the Secretary is satisfied that there will no longer be any such failure to comply.

(b) Any carrier which, in offering for sale any health benefits plan, falsely represents such plan to be an approved plan shall be fined not more than $10,000.

HEARINGS AND JUDICIAL REVIEW

SEC. 146. (a) If a group of carriers, or any member thereof, is dissatisfied with any action of the Secretary under section 145 or with his refusal to approve a plan of such group under this part, such group or such member, as the case may be, may appeal to the United States Court of Appeals for the District of Columbia by filing a petition with such court within 60 days after such action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary, or any officer designated by him for that purpose. The Secretary shall thereupon file in the court the record of the proceedings on which he based his action, as provided in section 2112 of title 28, United States
Code. Upon the filing of such petition, the court shall have jurisdiction to affirm the action of the Secretary or to set it aside, in whole or in part, temporarily or permanently, but until the filing of the record, the Secretary may modify or set aside his order.

(b) The findings of the Secretary as to the facts, if supported by substantial evidence, shall be conclusive, but the court, for good cause shown, may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified findings of fact and may modify his previous action, and shall file in the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(c) The judgment of the court affirming or setting aside, in whole or in part, any action of the Secretary shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code. The commencement of proceedings under this section shall not, unless so specifically ordered by the court, operate as a stay of the Secretary's action.
TITLE II—SOCIAL SECURITY AMENDMENTS

SHORT TITLE

SEC. 200. This title may be cited as the "Social Security Amendments of 1965".

SEVEN-PER CENTUM INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 201. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS"

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Primary insurance benefit under 1959 Act, as modified)</td>
<td>(Primary insurance amount under 1958 Act, as modified)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
</tr>
<tr>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
</tr>
<tr>
<td>$13.48</td>
<td>$40</td>
<td>$67</td>
<td>$42.80</td>
<td>$54.20</td>
</tr>
<tr>
<td>14.01</td>
<td>41</td>
<td>70</td>
<td>43.00</td>
<td>65.20</td>
</tr>
<tr>
<td>14.49</td>
<td>46</td>
<td>77</td>
<td>46.10</td>
<td>71.00</td>
</tr>
<tr>
<td>15.00</td>
<td>50</td>
<td>79</td>
<td>46.70</td>
<td>75.50</td>
</tr>
<tr>
<td>15.61</td>
<td>54</td>
<td>81</td>
<td>47.10</td>
<td>78.80</td>
</tr>
<tr>
<td>16.21</td>
<td>59</td>
<td>82</td>
<td>48.20</td>
<td>81.60</td>
</tr>
<tr>
<td>16.85</td>
<td>64</td>
<td>84</td>
<td>50.30</td>
<td>84.00</td>
</tr>
<tr>
<td>17.51</td>
<td>68</td>
<td>85</td>
<td>51.40</td>
<td>85.90</td>
</tr>
<tr>
<td>18.25</td>
<td>70</td>
<td>86</td>
<td>52.50</td>
<td>87.80</td>
</tr>
<tr>
<td>19.01</td>
<td>72</td>
<td>87</td>
<td>53.50</td>
<td>89.80</td>
</tr>
<tr>
<td>19.85</td>
<td>74</td>
<td>89</td>
<td>54.60</td>
<td>91.80</td>
</tr>
<tr>
<td>20.65</td>
<td>76</td>
<td>90</td>
<td>55.70</td>
<td>93.80</td>
</tr>
<tr>
<td>21.59</td>
<td>78</td>
<td>92</td>
<td>56.70</td>
<td>95.80</td>
</tr>
<tr>
<td>22.59</td>
<td>80</td>
<td>94</td>
<td>58.00</td>
<td>97.80</td>
</tr>
<tr>
<td>23.69</td>
<td>82</td>
<td>96</td>
<td>59.00</td>
<td>99.80</td>
</tr>
<tr>
<td>24.85</td>
<td>84</td>
<td>99</td>
<td>60.00</td>
<td>101.80</td>
</tr>
<tr>
<td>25.99</td>
<td>86</td>
<td>101</td>
<td>60.10</td>
<td>103.80</td>
</tr>
<tr>
<td>27.27</td>
<td>88</td>
<td>103</td>
<td>60.20</td>
<td>105.80</td>
</tr>
<tr>
<td>28.77</td>
<td>90</td>
<td>105</td>
<td>60.80</td>
<td>107.80</td>
</tr>
<tr>
<td>30.21</td>
<td>92</td>
<td>107</td>
<td>61.40</td>
<td>109.80</td>
</tr>
<tr>
<td>31.77</td>
<td>94</td>
<td>109</td>
<td>62.00</td>
<td>111.80</td>
</tr>
<tr>
<td>33.45</td>
<td>96</td>
<td>111</td>
<td>62.80</td>
<td>113.80</td>
</tr>
<tr>
<td>35.21</td>
<td>98</td>
<td>113</td>
<td>63.40</td>
<td>115.80</td>
</tr>
</tbody>
</table>

---

This table continues in the same format with the values ranging from $13.48 to $17.32.
If an individual's primary
amount under 1939 Act, as modi-
termined under subsec. (d)
\(40.34\)
\(43.77\)
\(41.77\)
\(39.69\)
\(38.21\)
\(37.61\)
\(36.41\)
\(36.81\)
\(35.01\)
\(32.61\)
\(31.37\)
\(30.93\)
\(30.37\)
\(30.92\)
\(30.93\)
\(31.26\)
\(32.00\)
\(32.61\)
\(33.20\)
\(33.88\)
\(34.60\)
\(35.00\)
\(35.89\)
\(36.40\)
\(37.28\)
\(37.60\)
\(38.20\)
\(38.62\)
\(39.08\)
\(39.68\)
\(40.33\)
\(41.24\)
\(41.76\)
\(42.44\)
\(42.52\)
\(43.77\)
\(44.44\)
\(44.45\)
\(45.00\)

But not
more than

\(67\)
\(119\)
\(122\)
\(71.70\)

\(71\)

\(107.50\)

At least

\(28.00\)
\(118\)
\(301\)

\(110.30\)
\(102.80\)

\(124.20\)
\(118.80\)
\(116.70\)

\(111.30\)
\(110.30\)

\(114.00\)

\(116.30\)

\(119.00\)

\(119.00\)

\(124.00\)

\(125.00\)

\(129.20\)

\(132.00\)

\(132.00\)

\(135.20\)

\(138.00\)

\(142.40\)

\(146.40\)

\(150.40\)

\(154.40\)

\(157.00\)

\(161.00\)

\(165.00\)

\(169.00\)

\(172.80\)

\(176.80\)

\(180.00\)

\(184.00\)

\(188.00\)

\(191.20\)

\(195.20\)

\(199.20\)

\(202.40\)

\(206.40\)

\(210.40\)

\(214.00\)

\(216.40\)

\(218.00\)

\(221.00\)

\(224.80\)

\(228.00\)

\(232.80\)

\(236.00\)

\(240.00\)

\(244.00\)

\(248.00\)

\(252.00\)

\(256.00\)

\(260.00\)

\(264.00\)

\(268.80\)

\(272.60\)

\(276.40\)

\(280.20\)

\(284.00\)

\(287.80\)

\(291.60\)

\(295.40\)

\(299.20\)

\(303.00\)

\(306.80\)

\(310.60\)

\(314.40\)

\(318.20\)

\(322.00\)

\(325.80\)

\(329.60\)

\(333.40\)

\(337.20\)

\(341.00\)

\(344.80\)

\(348.60\)

\(352.40\)
### Table for Determining Primary Insurance Amount and Maximum Family Benefits

<table>
<thead>
<tr>
<th>I (Primary insurance benefit under 1939 Act, as modified)</th>
<th>II (Primary insurance amount under 1938 Act, as modified)</th>
<th>III (Average monthly wage)</th>
<th>IV (Primary insurance amount)</th>
<th>V (Maximum family benefits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an individual's primary insurance benefit (as determined under subsec. (d)) is—</td>
<td>Or his primary insurance amount (as determined under subsec. (c)) is—</td>
<td>Or his average monthly wage (as determined under subsec. (b)) is—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
<td>And the maximum amount of benefits payable (as provided in sec. 202 (a)) on the basis of his wages and self-employment income shall be—</td>
</tr>
<tr>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
<td>Table values</td>
</tr>
<tr>
<td>$115</td>
<td>$357</td>
<td>$381</td>
<td>$126.30</td>
<td>$270.00</td>
</tr>
<tr>
<td>116</td>
<td>362</td>
<td>385</td>
<td>127.40</td>
<td>271.60</td>
</tr>
<tr>
<td>117</td>
<td>367</td>
<td>390</td>
<td>128.40</td>
<td>273.60</td>
</tr>
<tr>
<td>118</td>
<td>372</td>
<td>394</td>
<td>129.50</td>
<td>275.60</td>
</tr>
<tr>
<td>119</td>
<td>377</td>
<td>398</td>
<td>130.60</td>
<td>277.60</td>
</tr>
<tr>
<td>120</td>
<td>382</td>
<td>402</td>
<td>131.70</td>
<td>279.60</td>
</tr>
<tr>
<td>121</td>
<td>387</td>
<td>406</td>
<td>132.70</td>
<td>281.70</td>
</tr>
<tr>
<td>122</td>
<td>392</td>
<td>410</td>
<td>133.80</td>
<td>283.70</td>
</tr>
<tr>
<td>123</td>
<td>397</td>
<td>414</td>
<td>134.90</td>
<td>285.80</td>
</tr>
<tr>
<td>124</td>
<td>402</td>
<td>418</td>
<td>136.00</td>
<td>288.00</td>
</tr>
<tr>
<td>125</td>
<td>407</td>
<td>422</td>
<td>137.00</td>
<td>290.20</td>
</tr>
<tr>
<td>126</td>
<td>412</td>
<td>426</td>
<td>138.00</td>
<td>292.40</td>
</tr>
<tr>
<td>127</td>
<td>417</td>
<td>430</td>
<td>139.00</td>
<td>294.60</td>
</tr>
<tr>
<td>128</td>
<td>422</td>
<td>434</td>
<td>140.00</td>
<td>296.80</td>
</tr>
<tr>
<td>129</td>
<td>427</td>
<td>438</td>
<td>141.00</td>
<td>299.00</td>
</tr>
<tr>
<td>130</td>
<td>432</td>
<td>442</td>
<td>142.00</td>
<td>301.20</td>
</tr>
<tr>
<td>131</td>
<td>437</td>
<td>446</td>
<td>143.00</td>
<td>303.30</td>
</tr>
<tr>
<td>132</td>
<td>442</td>
<td>450</td>
<td>144.00</td>
<td>305.50</td>
</tr>
<tr>
<td>133</td>
<td>447</td>
<td>454</td>
<td>145.00</td>
<td>307.70</td>
</tr>
<tr>
<td>134</td>
<td>452</td>
<td>458</td>
<td>146.00</td>
<td>309.90</td>
</tr>
<tr>
<td>135</td>
<td>457</td>
<td>462</td>
<td>147.00</td>
<td>312.10</td>
</tr>
<tr>
<td>136</td>
<td>462</td>
<td>466</td>
<td>148.00</td>
<td>314.30</td>
</tr>
<tr>
<td>137</td>
<td>467</td>
<td>471</td>
<td>149.00</td>
<td>316.50</td>
</tr>
</tbody>
</table>

1 (b) Section 215 (c) of such Act is amended to read as follows:

2 "Primary Insurance Amount Under 1958 Act, as Modified"

3 "(c) (1) For the purposes of column II of the able appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed as provided in, and subject to the limitations specified in, (A) this section as in effect prior to the enactment of the Social Security Amendments of 1965, and (B) the applicable provisions of the Social Security Amendments of 1960."
“(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202 (a) or section 223 before the date of enactment of the Social Security Amendments of 1965 or who died after December 1964 and before such date.”

(c) Section 203 (a) of such Act is amended by striking out paragraphs (2) and (3) and inserting in lieu thereof the following:

“(2) when two or more persons were entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits under section 202 or 223 for any month which begins after December 1964 and before the enactment of the Social Security Amendments of 1965, on the basis of the wages and self-employment income of such insured individual, such total of benefits for any month occurring after December 1964 shall not be reduced to less than the larger of—

“(A) the amount determined under this subsection without regard to this paragraph, or

“(B) (i) with respect to the month in which such Amendments are enacted or any prior month, an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the
application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of such Amendments, for each such person, for such month, by 107 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10, and

“(ii) with respect to any month after the month in which such Amendments are enacted, an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of such Amendments, for each such person for the month of enactment, by 107 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (I) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B) of this paragraph, and (II) if section 202 (k) (2) (A) was applicable in the case of any of such benefits for any such month beginning before the enactment of the Social Security
Amendments of 1965, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which such section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for such month beginning prior to such enactment.”

(d) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1964 and with respect to lump-sum death payments under such title in the case of deaths occurring after the month in which this Act is enacted.

(e) If an individual is entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1964 on the basis of an application filed after enactment of this Act and is entitled to old-age insurance benefits under section 202 (a) of such Act for January 1965, then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable) the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to his disability insurance benefit.
COMPUTATION AND RECOMPUTATION OF BENEFITS

SEC. 202. (a) (1) Subparagraph (C) of section 215 (b) (2) of the Social Security Act is amended to read as follows:

"(C) For purposes of subparagraph (B), 'computation base years' include only calendar years in the period after 1950 and prior to the earlier of the following years—

"(i) the year in which occurred (whether by reason of section 202 (j) (1) or otherwise) the first month for which the individual was entitled to old-age insurance benefits, or

"(ii) the year succeeding the year in which he died.

Any calendar year all of which is included in a period of disability shall not be included as a computation base year."

(2) Clauses (A), (B), and (C) of the first sentence of section 215 (b) (3) of such Act are amended to read as follows:

"(A) in the case of a woman, the year in which she died or, if it occurred earlier but after 1960, the year in which she attained age 62,

"(B) in the case of a man who has died, the year in which he died or, if it occurred earlier but after 1960, the year in which he attained age 65, or

"(C) in the case of a man who has not died, the
year occurring after 1960 in which he attained (or would attain) age 65."

(3) Paragraphs (4) and (5) of section 215(b) of such Act are amended to read as follows:

"(4) The provisions of this subsection shall be applicable only in the case of an individual—

(A) who becomes entitled, after December 1965, to benefits under section 202(a) or section 223; or

(B) who dies after December 1965 without being entitled to benefits under section 202(a) or section 223; or

(C) whose primary insurance amount is required to be recomputed under subsection (f)(2), as amended by the Social Security Amendments of 1965; except that it shall not apply to any such individual for purposes of monthly benefits for months before January 1966.

(5) For the purposes of column III of the table appearing in subsection (a) of this section, the provisions of this subsection, as in effect prior to the enactment of the Social Security Amendments of 1965, shall apply—

(A) in the case of an individual to whom the provisions of this subsection are not made applicable by paragraph (4), but who, on or after the date of the enactment of the Social Security Amendments of 1965
and prior to 1966, met the requirements of this para-
graph or paragraph (4), as in effect prior to such enact-
ment, and

' (B) with respect to monthly benefits for months
before January 1966, in the case of an individual to
whom the provisions of this subsection are made appli-
cable by paragraph (4).”

(5) (1) Subparagraph (A) of section 215(d) (1) of
such Act is amended by striking out “(2) (C) (i) and (3)
(A) (i)” and inserting in lieu thereof “(2) (C) and (3)”,
by striking out “December 31, 1936,” and inserting in lieu
thereof “1950”. and by striking out “December 31, 1950”
and inserting in lieu thereof “1950”.

(2) Section 215(d) (3) of such Act is amended by
striking out “1960” and inserting in lieu thereof “1965”
and by striking out “but without regard to whether such
individual has six quarters of coverage after 1950”.

(c) Section 215(e) of such Act is amended by insert-
ing “and” after the semicolon at the end of paragraph (1),
by striking end” and” at the end of paragraph (2) and
inserting in lieu of a period, and by striking out para-
graph (3).

(d) Paragraph (2) of section 215(f) of such Act
is amended to read as follows:

“(2) With respect to each year—
“(A) which begins after December 31, 1964, and
“(B) for any part of which an individual is entitled to old-age insurance benefits,
the Secretary shall, at such time or times and within such period as he may by regulations prescribe, recompute the primary insurance amount of such individual. Such recomputation shall be made—
“(C) as provided in subsection (a) (1) and (3) if such year is either the year in which he became entitled to such old-age insurance benefits or the year preceding such year, or
“(D) as provided in subsection (a) (1) in any other case;
and in all cases such recomputation shall be made as though the year with respect to which such recomputation is made is the last year of the period specified in paragraph (2) (C) of subsection (b). A recomputation under this paragraph with respect to any year shall be effective—
“(E) in the case of an individual who did not die in such year, for monthly benefits beginning with benefit for January of the following year; or
“(F) in the case of an individual who died in such year (including any individual whose increase in his primary insurance amount is attributable to compensation which, upon his death, is treated as remuneration
for employment under section 205(o), for monthly
benefits beginning with benefits for the month in which
he died."

(2) Effective January 2, 1966, paragraphs (3), (4),
and (7) of such section are repealed, and paragraphs (5)
and (6) of such section are redesignated as paragraphs (3)
and (4), respectively.

(e) (1) The first sentence of section 223(a)(2) of
such Act is amended by inserting before the period at the
end thereof "and was entitled to an old-age insurance benefit
for each month for which (pursuant to subsection (b) ) he
was entitled to a disability insurance benefit".

(2) The last sentence of section 223(a)(2) of such
Act is amended by striking out "first year" and inserting
in lieu thereof "year"; by striking out the phrase "both was
fully insured and had" both times it appears in such sentence.

(f) (1) The amendments made by subsection (c) shall
apply only to individuals who become entitled to old-age
insurance benefits under section 202(a) of the Social Secur-
ity Act after 1965.

(2) Any individual who would, upon filing an applica-
tion prior to January 2, 1966, be entitled to a recomputation
of his benefit amount for purposes of title II of the Social
Security Act shall be deemed to have filed such application
on the earliest date on which such application could have
been filed, or on the day on which this Act is enacted, whichever is the later.

(3) In the case of an individual who died after 1960 and prior to 1966 and who was entitled to old-age insurance benefits under section 202(a) of the Social Security Act at the time of his death, the provisions of sections 215(f)(3)(B) and 215(f)(4) of such Act as in effect before the enactment of this Act shall apply.

(4) In the case of a man who attains age 65 prior to 1966, or dies before such year, the provisions of section 215(f)(7) of the Social Security Act as in effect before the enactment of this Act shall apply.

(5) The amendments made by subsection (e) of this section shall apply in the case of individuals who become entitled to disability insurance benefits under section 223 of the Social Security Act after December 1965.

(6) Section 303(g)(1) of the Social Security Amendments of 1960 is amended—

(A) by striking out "notwithstanding the amendments made by the preceding subsections of this section," in the first sentence and inserting in lieu thereof "notwithstanding the amendments made by the preceding subsections of this section, or the amendments made by section 204 of the Social Security Amendments of 1965,"; and
(B) by striking out "Social Security Amendments of 1960," in the second sentence and inserting in lieu thereof "Social Security Amendments of 1960, or (if such individual becomes entitled to old-age insurance benefits after 1965, or dies after 1965 without becoming so entitled) as amended by the Social Security Amendments of 1965."

IMPROVEMENT OF ACTUARIAL STATUS OF DISABILITY INSURANCE TRUST FUND

SEC. 203. (a) Section 201(b)(1) of the Social Security Act is amended by inserting "and before January 1, 1966," after "December 31, 1956," and by inserting after "1954," the following: "and 0.67 of 1 per centum of such wages paid after December 31, 1965, and so reported."

(b) Section 201(b)(2) of such Act is amended by inserting after "December 31, 1956," the following: "and before January 1, 1966, and 0.5025 of 1 per centum of the amount of such self-employment income so reported for any taxable year beginning after December 31, 1965."

COVERAGE FOR DOCTORS OF MEDICINE

SEC. 204. (a) (1) Section 211(c)(5) of the Social Security Act is amended to read as follows:

"(5) The performance of service by an individual in the exercise of his profession as a Christian Science practitioner."
(2) Section 211 (c) of such Act is further amended by striking out the last two sentences and inserting in lieu thereof the following: "The provisions of paragraph (4) or (5) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by him under section 1402 (e) of the Internal Revenue Code of 1954 is in effect."

(3) Section 210 (a) (6) (C) (iv) of such Act is amended by inserting before the semicolon at the end thereof the following: ", other than as a medical or dental intern or a medical or dental resident in training".

(4) Section 210 (a) (13) of such Act is amended by striking out all that follows the first semicolon.

(b) (1) Section 1402 (c) (5) of the Internal Revenue Code of 1954 (relating to definition of trade or business) is amended to read as follows:

"(5) the performance of service by an individual in the exercise of his profession as a Christian Science practitioner."

(2) Section 1402 (c) of such Code is further amended by striking out the last two sentences and inserting in lieu thereof the following: "The provisions of paragraph (4) or (5) shall not apply to service (other than service performed}
by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by him under subsection (c) is in effect.”

(3) (A) Section 1402(e)(1) of such Code (relating to filing of waiver certificate by ministers, members of religious orders, and Christian Science practitioners) is amended by striking out “extended to service” and all that follows and inserting in lieu thereof “extended to service described in subsection (c) (4) or (c) (5) performed by him.”

(B) Clause (A) of section 1402(e)(2) of such Code (relating to time for filing waiver certificate) is amended to read as follows: “(A) the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed without regard to subsections (c) (4) and (c) (5)) of $400 or more, any part of which was derived from the performance of service described in subsection (c) (4) or (c) (5); or”.

(4) Section 3121(b)(6)(c)(iv) of such Code (relating to definition of employment) is amended by inserting before the semicolon at the end thereof the following: “, other than as a medical or dental intern or a medical or dental resident in training”.

Section 3121(b)(13) of such Code is amended by striking out all that follows the first semicolon.

(c) The amendments made by paragraphs (1) and (2) of subsection (a), and by paragraphs (1), (2), and (3) of subsection (b), shall apply only with respect to taxable years ending after December 31, 1965. The amendments made by paragraphs (3) and (4) of subsection (a), and by paragraphs (4) and (5) of subsection (b), shall apply only with respect to services performed after 1965.

**COVERAGE OF TIPS**

Sec. 205. (a) (1) Section 209 of the Social Security Act is amended by striking out “or” at the end of subsection (j), by striking out the period at the end of subsection (k) and inserting in lieu thereof “; or”, and by adding immediately after subsection (k) the following new subsection:

“(1) Tips paid in any medium other than cash;

“(2) Cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is $20 or more.”

(2) Section 209 of such Act is further amended by adding at the end thereof the following new paragraph:

“For purposes of this title, tips received by an employee in the course of his employment, on his own behalf and not on behalf of another person, shall be considered remuneration for employment, whether such tips are received by the em-
ployee directly from a person other than his employer or
are paid over to the employee by his employer. Such tips
shall be deemed to be paid to the employee by the employer,
and shall be deemed to be so paid at the time a written
statement including such tips is furnished to the employer
pursuant to section 6053 of the Internal Revenue Code of
1954 or (if no statement including such tips is so furnished)
at the close of the 10th day following the calendar month
in which they were received.”

(b)(1) Section 3102 of the Internal Revenue Code
of 1954 (relating to deduction of tax from wages) is amended
by adding at the end thereof the following new subsection:
“(c) SPECIAL RULE FOR TIPS.—In the case of tips
which constitute wages, subsection (a) shall be applicable
only to such tips as are included in a written statement fur-
nished to the employer pursuant to section 6053, and only
to the extent that collection can be made by the employer,
at or after the time such statement is so furnished and before
the close of the 10th day following the calendar month in
which the tips were received, by deducting the amount of the
tax from such wages of the employee (exclusive of tips,
but including funds turned over by the employee to the em-
ployer for the purpose of such deduction) as are under control
of the employer.”

(2) Section 3121(a) of such Code (relating to the
definition of wages under the Federal Insurance Contributions Act) is amended by striking out "or" at the end of paragraph (10), by striking out the period at the end of paragraph (11) and inserting in lieu thereof "; or", and by adding after paragraph (11) the following new paragraph:

"(12) (A) tips paid in any medium other than cash;

(B) cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is $20 or more."

(3) Section 3121 of such Code is further amended by adding at the end thereof the following new subsection:

"(q) TIPS.—Tips received by an employee in the course of his employment, on his own behalf and not on behalf of another person, shall be considered remuneration for employment, whether such tips are received by the employee directly from a person other than his employer or are paid over to the employee by his employer. Such tips shall be deemed to be paid to the employee by the employer, and shall be deemed to be so paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053 or (if no statement including such tips is so furnished) at the close of the 10th day following the calendar month in which they were received."
(c) (1) Section 6051(a) of such Code (relating to receipts for employees) is amended by adding at the end thereof the following new sentence: "In the case of tips received by an employee in the course of his employment, the amounts required to be shown by paragraph (5) shall include only such tips as are reported by the employee to the employer pursuant to section 6053; and the amounts required to be shown by paragraph (3) shall include only such tips as are reported by the employee to the employer pursuant to such section (other than the second sentence thereof).”

(2) (A) Subpart C of part III of subchapter A of chapter 61 of such Code (relating to information regarding wages paid employees) is amended by adding at the end thereof the following new section:

"SEC. 6053. REPORTING OF TIPS.

“Every employee, who in the course of his employment by an employer, receives in any calendar month tips which are wages as defined in section 3121(a) shall report all such tips in one or more written statements furnished to his employer. For purposes of sections 3111, 6051(a), and 6652(e), tips received in any calendar month shall be considered reported pursuant to this section only if they are included in such a statement furnished to the employer on
or before the 10th day following such month and only to
the extent that the tax imposed with respect to such tips
by section 3101 can be collected by the employer under
section 3102. Such statement shall be furnished by the
employee under such regulations, at such other times before
such 10th day, and in such form and manner, as may be
prescribed by the Secretary or his delegate.”

(B) The table of sections for such subpart C is amended
by adding at the end thereof the following:

“Sec. 6053. Reporting of tips.”

(3) Section 6652 of such Code (relating to failure to
file certain information returns) is amended by redesignating
subsection (c) as subsection (d) and by inserting after sub-
section (b) the following new subsection:

“(c) FAILURE TO REPORT TIPS.—In the case of tips
to which section 3121(a) and the first sentence of section
6053 are applicable, if the employee fails to report any of
such tips to the employer pursuant to such section, unless it
is shown that such failure is due to reasonable cause and not
due to willful neglect, there shall be paid by the employee,
in addition to the tax imposed by section 3101 with respect
to the amount of the tips which he so failed to report, an
amount equal to such tax.”

(d) Section 3111 of such Code (relating to rate of tax
on employers under the Federal Insurance Contributions
Act), as amended by section 213 of this Act, is amended by adding at the end thereof (after and below paragraph (4)) the following new sentence: "In the case of tips which constitute wages, the tax imposed by this section shall be applicable only to such tips as are reported by the employee to the taxpayer pursuant to section 6053."

(e) The second sentence of section 3102 (a) of such Code (relating to requirement of deduction) is amended by inserting before the period at the end thereof the following: "; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) to which paragraph (12) (B) of section 3121 (a) is applicable may deduct an amount equivalent to such tax with respect to such tips from any wages of the employee (exclusive of tips) under his control, even though at the time such statement is furnished the total amount of the tips so reported by the employee as received in such calendar month in the course of his employment by such employer is less than $20."

(f) (1) Section 3401 of such Code (relating to definitions for purposes of collecting income tax at source on wages) is amended by adding at the end thereof the following new subsection:

"(f) TIPS.—For purposes of subsection (a) the term 'wages' includes tips received by an employee in the course of his employment, on his own behalf and not on behalf of
another person, whether such tips are received by the em-
ployee directly from a person other than his employer or are
paid over to the employee by his employer. Such tips shall
be deemed to be paid to the employee by the employer; and
any amount of such tips received by an employee in a calen-
dar month other than December, which is included in a state-
ment furnished to the employer pursuant to section 6053
(a), shall be deemed to be so paid at the time the state-
ment is so furnished.”

(2) Section 3401(a) of such Code (relating to defi-
nition of wages for purposes of collecting income tax at
source) is amended by striking out the period at the end
of paragraph (12) and inserting in lieu thereof “; or”, by
striking out the period at the end of paragraph (15) and
inserting in lieu thereof “; or”, and by adding after para-
graph (15) the following new paragraph:

“(16) (A) as tips in any medium other than cash;

“(B) as cash tips to an employee in any calendar
month in the course of his employment by an employer
unless the amount of such cash tips is $20 or more.”

(3) Subsection (a) of section 3402 of such Code
(relating to income tax collected at source) is amended by
striking “subsection (j)” and inserting in lieu thereof “sub-
sections (j) and (k)”.

100
(4) Section 3402 of such Code is further amended by adding at the end thereof the following new subsection:

"(k) TIPS.—In the case of tips which constitute wages, subsection (a) shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053(a), and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which the employee receives the tips which are included in such statement, from such wages of the employee (exclusive of tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds minus any tax required by section 3102(a) to be collected from such wages."

(g) The amendments made by this section shall apply only with respect to tips received by employees after 1965.

REIMBURSEMENT OF TRUST FUNDS FOR COST OF NONCON-TRIBUTORY MILITARY SERVICE CREDITS

Sec. 206. Sec. 217(g) of the Social Security Act is amended to read as follows:

"(g) (1) In September 1965, and in every fifth Sep-
tember thereafter up to and including September 2010, the
Secretary shall determine the amount which, if paid in equal
installments at the beginning of each fiscal year in the period
beginning—

"(A) with July 1, 1965, in the case of the first
such determination, and

"(B) with the July 1 following the determination
in the case of all other such determinations,
and ending with the close of June 30, 2015, would accumu-
late, with interest compounded annually, to an amount equal
to the amount needed to place each of the Trust Funds in the
same position at the close of June 30, 2015, as he estimates
they would otherwise be in at the close of that date if section
210 of this Act, as in effect prior to the Social Security Act
Amendments of 1950, and section 217 of this Act had not
been enacted. The rate of interest to be used in determining
such amount shall be the rate determined under section 201
(d) for public-debt obligations which were or could have
been issued for purchase by the Trust Funds in the June
preceding the September in which such determination is
made.

"(2) There are authorized to be appropriated to the
Trust Funds—
“(A) for the fiscal year ending June 30, 1966, an amount equal to the amount determined under paragraph (1) in September 1965, and

“(B) for each fiscal year in the period beginning with July 1, 1966, and ending with the close of June 30, 2015, an amount equal to the annual installment for such fiscal year under the most recent determination under paragraph (1) which precedes such fiscal year.

“(3) For the fiscal year ending June 30, 2016, there is authorized to be appropriated to the Trust Funds (or the amount appropriated to the Trust Funds under section 201 for that year shall be reduced by, as the case may be) such sums as the Secretary determines would place the Trust Funds in the same position in which they would have been at the close of June 30, 2015, if section 210 of this Act as in effect prior to the Social Security Act Amendments of 1950, and section 217 of this Act, had not been enacted.

“(4) There are authorized to be appropriated to the Trust Funds annually, as benefits under this title are paid after June 30, 2015, such sums as the Secretary determines to be necessary to meet the additional costs, resulting from subsections (a), (b), and (c), of such benefits (including lump-sum death payments).”
104

1 INCLUSION OF ALASKA AND KENTUCKY AMONG STATES

2 PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

3 Sec. 207. The first sentence of section 218 (d) (6) (C)

4 of the Social Security Act is amended—

5 (1) by inserting "Alaska," before "California,"

6 and

7 (2) by inserting "Kentucky," before "Massachu-

8 setts".

9 ADDITIONAL PERIOD FOR ELECTING COVERAGE UNDER

10 DIVIDED RETIREMENT SYSTEM

11 Sec. 208. The first sentence of section 218 (d) (6) (F)

12 of the Social Security Act is amended by striking out "1963"

13 and inserting in lieu thereof "1987",

14 COVERAGE FOR CERTAIN ADDITIONAL HOSPITAL EMPLOYEES

15 IN CALIFORNIA

16 Sec. 209. Section 102 (k) of the Social Security

17 Amendments of 1960 is amended by inserting "(1)"

18 immediately after "(k)", and by adding at the end thereof

19 the following new paragraph:

20 "(2) Such agreement, as modified pursuant to para-

21 graph (1), may at the option of such State be further

22 modified, at any time prior to the seventh month after the

23 month in which this paragraph is enacted, so as to apply

24 to services performed for any hospital affected by such

25 earlier modification by any individual who after December
31, 1959, was or is employed by such State (or any political subdivision thereof) in any position described in paragraph (1). Such modification shall be effective with respect to (A) all services performed by such individual in any such position on or after January 1, 1962, and (B) all such services, performed before such date, with respect to which amounts equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 if such services had constituted employment for purposes of chapter 21 of such Code at the time they were performed have, prior to the date of the enactment of this paragraph, been paid.”

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 201. (a)(1)(A) Section 209(a)(3) of the Social Security Act is amended by inserting “and before 1966” after “1958”.

(B) Section 209(a) of such Act is further amended by adding at the end thereof the following new paragraph:

“(4) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $5,600 with respect to employment has been paid to an individual during any calendar year after 1965, is paid to such individual during such calendar year;”.

J. 35-001-A—8
(2) (A) Section 211 (b) (1) (C) of such Act is amended by inserting "and before 1966" after "1958", and by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211 (b) (1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) For any taxable year ending after 1965, (i) $5,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out "after 1958" and inserting in lieu thereof "after 1958 and before 1966, or $5,600 in the case of a calendar year after 1965".

(B) Section 213 (a) (2) (iii) of such Act is amended by striking out "after 1958" and inserting in lieu thereof "after 1958 and before 1966, or $5,600 in the case of a taxable year ending after 1965".

(4) Section 215 (e) (1) of such Act is amended by striking out "and the excess over $4,800 in the case of any calendar year after 1958" and inserting in lieu thereof "the excess over $4,800 in the case of any calendar year after 1958 and before 1966, and the excess over $5,600 in the case of any calendar year after 1965".

(b) (1) (A) Section 1402 (b) (1) (C) of the Internal Revenue Code of 1954 (relating to definition of self-employ-
ment income) is amended by inserting "and before 1966" after "1958", and by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 1402(b)(1) of such Code is further amended by adding at the end thereof the following new subparagraph:

"(D) for any taxable year ending after 1965,

(i) $5,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "$4,800" each place it appears and inserting in lieu thereof "$5,600".

(3) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$4,800" and inserting in lieu thereof "$5,600".

(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam and American Samoa) is amended by striking out "$4,800" where it appears in subsections (a) and (b) and inserting in lieu thereof "$5,600".

(5) Section 6413(c)(1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting "and prior to the calendar year 1966" after "the calendar year 1958";

(B) by inserting after "exceed $4,800," the follow-
ing: “or (C) during any calendar year after the calendar year 1965, the wages received by him during such year exceed $5,600,” and

(C) by inserting before the period at the end thereof the following: “and before 1966, or which exceeds the tax with respect to the first $5,600 of such wages received in such calendar year after 1965”.

(6) Section 6413 (c) (2) (A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out “or $4,800 for any calendar year after 1958” and inserting in lieu thereof “$4,800 for the calendar year 1959, 1960, 1961, 1962, 1963, 1964, or 1965, or $5,600 for any calendar year after 1965”.

(c) The amendments made by subsections (a) (1) and (a) (3) (A), and the amendments made by subsection (b) (except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1965. The amendments made by subsections (a) (2), (a) (3) (B), and (b) (1) shall apply only with respect to taxable years ending after 1965. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1965.

CHANGES IN TAX SCHEDULES

Sec. 211. (a) Section 1401 of the Internal Revenue
Code of 1954 (relating to rate of tax on self-employment income) is amended to read as follows:

"SEC. 1401. RATE OF TAX.

"In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1965, and before January 1, 1968, the tax shall be equal to 6.4 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1967, and before January 1, 1971 the tax shall be equal to 7.5 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1970, the tax shall be equal to 7.8 percent of the amount of the self-employment income for such taxable year."

(b) Section 3101 of such Code (relating to rate of tax on employees under the Federal Insurance Contributions Act) is amended to read as follows:

"SEC. 3101. RATE OF TAX.

"In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a))\)
received by him with respect to employment (as defined in section 3121 (b))—

"(1) with respect to wages received during the calendar years 1966 and 1967, the rate shall be 4.25 percent;

"(2) with respect to wages received during the calendar years 1968, 1969, and 1970, the rate shall be 5 percent; and

"(3) with respect to wages received after December 31, 1970, the rate shall be 5.2 percent."

(c) Section 3111 of such code (relating to rate of tax on employers under the Federal Insurance Contributions Act) is amended to read as follows:

"SEC. 3111. RATE OF TAX.

"In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121 (a)) paid by him with respect to employment (as defined in section 3121 (b))—

"(1) with respect to wages paid during the calendar years 1966 and 1967, the rate shall be 4.25 percent;

"(2) with respect to wages paid during the calendar years 1968, 1969, and 1970, the rate shall be 5 percent; and
“(3) with respect to wages paid after December 31, 1970, the rate shall be 5.2 percent.”

(d) The amendment made by subsection (a) shall apply only with respect to taxable years beginning after December 31, 1965. The amendments made by subsections (b) and (c) shall apply only with respect to remuneration paid after December 31, 1965.

AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEMS

Sec. 212. (a) Section 1(q) of the Railroad Retirement Act of 1937 is amended by striking out “1961” and inserting in lieu thereof “1965”.

(b) Section 5(1)(9) of such Act is amended by striking out “after 1958 is less than $4,800” and inserting in lieu thereof the following: “after 1958 and before 1966 is less than $4,800, or for any calendar year after 1965 is less than $5,600”; and by striking out “and $4,800 for years after 1958”, and inserting in lieu thereof the following: “$4,800 for years after 1958 and before 1966, and $5,600 for years after 1965”.

EXTENSION OF PERIOD FOR FILING PROOF OF SUPPORT AND APPLICATIONS FOR LUMP-SUM DEATH PAYMENT

Sec. 213. (a) Subsection (p) of section 202 of the Social Security Act is amended to read as follows:
"Extension of Period for Filing Proof of Support and Applications for Lump-Sum Death Payment

"(p) In any case in which there is a failure—

"(1) to file proof of support under subparagraph (C) of subsection (c) (1), clause (i) or (ii) of subparagraph (D) of subsection (f) (1), or subparagraph (B) of subsection (h) (1), or under clause (B) of subsection (f) (1) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subparagraph or clause, or

"(2) to file, in the case of a death after 1946, application for a lump-sum death payment under subsection (i), or under subsection (g) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subsection,

any such proof or application, as the case may be, which is filed after the expiration of such period shall be deemed to have been filed within such period if it is shown to the satisfaction of the Secretary that there was good cause for failure to file such proof or application within such period. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary."

(b) The amendments made by this section shall be effective with respect to (1) applications for lump-sum death
payments filed in or after the month in which this Act is enacted, and (2) monthly benefits based on applications filed in or after such month.

TECHNICAL AMENDMENT RELATING TO MEETINGS OF BOARD OF TRUSTEES OF TRUST FUNDS

Sec. 214. The subsection of section 201 of the Social Security Act redesignated as subsection (d) (by section 103 of this Act) is amended by striking out "six months" in the fourth sentence and inserting in lieu thereof "year".

TITLE III—PUBLIC ASSISTANCE AMENDMENTS

SHORT TITLE

Sec. 300. This title may be cited as the "Public Assistance Amendments of 1965".

REMOVAL OF LIMITATIONS ON FEDERAL PARTICIPATION IN ASSISTANCE TO AGED INDIVIDUALS WITH TUBERCULOSIS OR MENTAL DISEASE; PROTECTIVE PAYMENTS

Sec. 301. (a) (1) Section 6(a) of the Social Security Act is amended to read as follows:

"(a) For the purposes of this title, the term 'old-age assistance' means money payments to, or (if provided in or after the third month before the month in which the recipient makes application for assistance) medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are 65 years of
age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution). Such term also includes payments which are not included within the meaning of such term under the preceding sentence, but which would be so included except that they are made on behalf of such a needy individual to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such needy individual, but only with respect to a State whose State plan approved under section 2 includes provision for—

"(1) determination by the State agency that such needy individual has, by reason of his physical or mental condition, such inability to manage funds that making payments to him would be contrary to his welfare and, therefore, it is necessary to provide such assistance through payments described in this sentence;

"(2) making such payments only in cases in which such payments will, under the rules otherwise applicable under the State plan for determining need and the amount of old-age assistance to be paid (and in conjunction with other income and resources), meet all the need of the individuals with respect to whom such payments are made;
“(3) undertaking and continuing special efforts to protect the welfare of such individual and to improve, to the extent possible, his capacity for self-care and to manage funds;

“(4) periodic review by such State agency of the determination under paragraph (1) to ascertain whether conditions justifying such determination still exist, with provision for termination of such payments if they do not and for seeking judicial appointment of a guardian or other legal representative, as described in section 1111, if and when it appears that such action will best serve the interests of such needy individual; and

“(5) opportunity for a fair hearing before the State agency on the determination referred to in paragraph (1) for any individual with respect to whom it is made.”

(2) Section 6(b) of such Act is amended by striking out all that follows clause (12), and inserting in lieu thereof the following: “except that such term does not include any such payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution).”

(3) Section 2(a) of such Act is amended (A) by striking out “and” at the end of paragraph (10); (B) by striking out the period at the end of paragraph (11) and
inserting in lieu thereof a semicolon; and (C) by adding at the end thereof the following new paragraphs:

"(12) if the State plan includes assistance to or in behalf of patients who are in institutions for tuberculosis or mental diseases, or who are in medical institutions for more than 42 days as a result of a diagnosis of tuberculosis or psychosis—

"(A) provide for having in effect such agreements or other arrangements with State authorities concerned with mental diseases or tuberculosis (as the case may be), and, where appropriate, with such institutions, as may be necessary for carrying out the State plan, including arrangements for joint planning and for development of alternate methods of care, arrangements providing assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, and arrangements providing for access to patients and facilities for furnishing information, and for making reports;

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

"(C) provide for the development of alternate
plans of care, making maximum utilization of avail-
able resources, for recipients who would otherwise
need care in such institutions, including appropriate
medical treatment and other assistance; for services
referred to in section 3(a) (4) (A) (i) and (ii)
which are appropriate for such recipients and for
such patients; and for methods of administration
necessary to assure that the responsibilities of the
State agency under the State plan with respect to
such recipients and such patients will be effectively
carried out; and

"(D) provide methods of determining the rea-
sonable cost of institutional care for such patients;

and

"(13) if the State plan includes assistance to or
in behalf of patients in public institutions for mental
diseases, show that the State is making satisfactory
progress toward developing and implementing a com-
prehensive mental health program, including provision
for utilization of community mental health centers, nurs-
(4) Section 3 of such Act is amended by adding at the end thereof (after the new subsection (d) added by section 217 of this Act) the following new subsection:

"(e) Notwithstanding the preceding provisions of this section, the amount determined under such provisions for any State for any quarter which is attributable to expenditures with respect to patients in institutions for tuberculosis or mental diseases shall be paid only to the extent that the State makes a showing satisfactory to the Secretary that it has increased total expenditures from Federal, State, and local sources for mental health services (including payments to or in behalf of individuals with mental health problems) under State and local public health and public welfare programs for such quarter over the average of the total expenditures from such sources for such services under such programs for each quarter of the fiscal year ending June 30, 1965. For purposes of this subsection, expenditures for such services for each quarter in the fiscal year ending June 30, 1965, in the case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the first determination by him under this section for such State; and expenditures for such services for any quarter thereafter in the case of any
State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the determination under this section for such State for such quarter; and determinations so made shall be conclusive for purposes of this subsection.”

(b) Section 1006 of such Act is amended by striking out clauses (a) and (b) and inserting in lieu thereof the following: “who is a patient in an institution for tuberculosis or mental diseases”.

(c) Section 1406 of such Act is amended by striking out clauses (a) and (b) and inserting in lieu thereof the following: “who is a patient in an institution for tuberculosis or mental diseases”.

(d)(1) Section 1605(a) of such Act is amended to read as follows:

“(a) For purposes of this title, the term ‘aid to the aged, blind, or disabled’ means money payments to, or (if provided in or after the third month before the month in which the recipient makes application for aid) medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are 65 years of age or older, are blind, or are 18 years of age or over and permanently and totally disabled, but such term does not include—

“(1) in the case of any individual, any such pay-
ments to or care in behalf of any individual who is an
inmate of a public institution (except as a patient in a
medical institution); or

"(2) in the case of any individual who has not
attained 65 years of age any such payments to or care
in behalf of any individual who is a patient in an institu-
tion for tuberculosis or mental diseases.

Such term also includes payments which are not included
within the meaning of such term under the preceding sen-
tence, but which would be so included except that they are
made on behalf of such a needy individual to another in-
dividual who (as determined in accordance with standards
prescribed by the Secretary) is interested in or concerned
with the welfare of such needy individual, but only with re-
spect to a State whose State plan approved under section
1602 includes provision for—

"(i) determination by the State agency that such
needy individual has, by reason of his physical or mental
condition, such inability to manage funds that making
payments to him would be contrary to his welfare and,
therefore, it is necessary to provide such aid through
payments described in this sentence;

"(ii) making such payments only in cases in which
such payments will, under the rules otherwise applicable
under the State plan for determining need and the
amount of aid to the aged, blind, or disabled to be paid
(and in conjunction with other income and resources),
meet all the need of the individuals with respect to
whom such payments are made;

"(iii) undertaking and continuing special efforts to
protect the welfare of such individual and to improve,
to the extent possible, his capacity for self-care and to
manage funds;

"(iv) periodic review by such State agency of the
determination under clause (i) to ascertain whether
conditions justifying such determination still exist, with
provision for termination of such payments if they do not
and for seeking judicial appointment of a guardian or
other legal representative, as described in section 1111,
if and when it appears that such action will best serve
the interests of such needy individual; and

"(v) opportunity for a fair hearing before the State
agency on the determination referred to in clause (i)
for any individual with respect to whom it is made."

(2) Section 1605(b) of such Act is amended by strik-
ing out all that follows clause (12), and inserting in lieu
thereof the following: "except that such term does not in-
clude any such payments with respect to care or services for
any individual who is an inmate of a public institution (ex-
cept as a patient in a medical institution)."
(3) Section 1602 (a) of such Act is amended (A) by striking out "and" at the end of paragraph (14); (B) by striking out the period at the end of paragraph (15) and inserting in lieu thereof a semicolon; and (C) by adding after paragraph (15) the following new paragraphs:

"(16) if the State plan includes aid or assistance to or in behalf of individuals 65 years of age or older who are patients in institutions for tuberculosis or mental diseases, or to individuals who are patients in medical institutions for more than 42 days as a result of a diagnosis of tuberculosis or psychosis—

"(A) provide for having in effect such agreements or other arrangements with State authorities concerned with mental diseases or tuberculosis (as the case may be), and, where appropriate, with such institutions, as may be necessary for carrying out the State plan, including arrangements for joint planning and for development of alternate methods of care, arrangements providing assurance of immediate readmittance to institutions where needed for individuals under alternate plans of care, and arrangements providing for access to patients and facilities, for furnishing information, and for making reports;

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

"(C) provide for the development of alternate
plans of care, making maximum utilization of avail-
able resources, for recipients 65 years of age or older
who would otherwise need care in such institutions,
including appropriate medical treatment and other
aid or assistance; for services referred to in section
1603(a)(4)(A)(i) and (ii) which are appro-
priate for such recipients and for such patients; and
for methods of administration necessary to assure
that the responsibilities of the State agency under
the State plan with respect to such recipients and
such patients will be effectively carried out; and

"(D) provide methods of determining the rea-
sonable cost of institutional care for such patients;
and

"(17) if the State plan includes aid or assistance to
or in behalf of individuals 65 years of age or older who
are patients in public institutions for mental diseases, show that the State is making satisfactory progress toward developing and implementing a comprehensive mental health program, including provision for utilization of community mental health centers, nursing homes, and other alternatives to care in public institutions for mental diseases."

(4) Section 1603 of such Act is amended by adding at the end thereof (after the new subsection (d) added by section 217 of this Act) the following new subsection:

"(e) Notwithstanding the preceding provisions of this section, the amount determined under such provisions for any State for any quarter which is attributable to expenditures with respect to individuals 65 years of age or older who are patients in institutions for tuberculosis or mental diseases shall be paid only to the extent that the State makes a showing satisfactory to the Secretary that it has increased total expenditures from Federal, State, and local sources for mental health services (including payments to or in behalf of individuals with mental health problems) under State and local public health and public welfare programs for such quarter over the average of the total expenditures from such sources for such services under such programs for each quarter of the fiscal year ending June 30, 1965. For purposes of this subsection, expenditures for such services for each quarter in
the fiscal year ending June 30, 1965, in the case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the first determination by him under this section for such State; and expenditures for such services for any quarter thereafter in the case of any State shall be determined on the basis of the latest data, satisfactory to the Secretary, available to him at the time of the determination under this section for such State for such quarter; and determinations so made shall be conclusive for purposes of this subsection."

(e) The amendments made by this section shall apply in the case of expenditures made after December 31, 1965, under a State plan approved under title I, X, XIV, or XVI of the Social Security Act.

INCREASED FEDERAL PAYMENTS UNDER PUBLIC ASSISTANCE TITLES OF THE SOCIAL SECURITY ACT

Sec. 302. (a) Section 3(a)(1) of the Social Security Act is amended (1) by striking out, in so much thereof as precedes clause (A), "during such quarter" and inserting in lieu thereof "during each month of such quarter"; (2) by striking out, in clause (A), "29/35", "any month", and "$35" and inserting in lieu thereof "31/37", "such month", and "$37", respectively; and (3) by striking out clauses (B) and (C) and inserting in lieu thereof the following:

"(B) the larger of the following:"
“(i) (I) the Federal percentage (as defined in section 1101 (a) (8) ) of the amount by which such expenditures exceed the amount which may be counted under clause (A), not counting so much of such excess with respect to any month as exceeds the product of $38 multiplied by the total number of recipients of old-age assistance for such month, plus (II) 15 percentum of the total of the sums expended during such month as old-age assistance under the State plan in the form of medical or any other type of remedial care, not counting so much of any such expenditure with respect to such month as exceeds the product of $15 multiplied by the total number of recipients of old-age assistance for such month, or

“(ii) (I) the Federal medical percentage (as defined in section 6 (c) ) of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditures with respect to such month as exceeds (a) the product of $52 multiplied by the total number of such recipients of old-age assistance for such month, or (b) if smaller, the total expended as old-age
assistance in the form of medical or any other type of remedial care with respect to such month plus the product of $37 multiplied by such total number of such recipients, plus (II) the Federal percentage of the amount by which the total of the sums expended during such month as old-age assistance under the State plan exceed the amount which may be counted under clause (A) and the preceding provisions of this clause (B) (ii), not counting so much of such excess with respect to such month as exceeds the product of $38 multiplied by the total number of such recipients of old-age assistance for such month;”.

(b) Section 1603(a) (1) of such Act is amended (1) by striking out, in so much thereof as precedes clause (A), “during such quarter” and inserting in lieu thereof “during each month of such quarter”; (2) by striking out, in clause (A), “29/35”, “any month”, and “$35” and inserting in lieu thereof “31/37”, “such month”, and “$37”, respectively; and (3) by striking out clauses (B) and (C) and inserting in lieu thereof the following:

“(B) the larger of the following:

“(i) (I) the Federal percentage (as defined in section 1101(a) (8)) of the amount
by which such expenditures exceed the amount which may be counted under clause (A), not counting so much of such excess with respect to any month as exceeds the product of $38 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such months, plus (II) 15 per centum of the total of the sums expended during such month as aid to the aged, blind, or disabled under the State plan in the form of medical or any other type of remedial care, not counting so much of any such expenditure with respect to such month as exceeds the product of $15 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month, or

“(ii) (I) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditures with respect to such month as exceeds (a) the product of $52 multiplied by the total number of such recipients of aid to the aged, blind, or disabled for such month, or (b) if smaller, the total expended as aid to the aged, blind, or disabled
in the form of medical or any other type of remedial care with respect to such month plus the product of $37 multiplied by such total number of such recipients, plus (II) the Federal percentage of the amount by which the total sums expended during such month as aid to the aged, blind, or disabled under the State plan exceed the amount which may be counted under clause (A) and the preceding provisions of this clause (B) (ii), not counting so much of such excess with respect to such month as exceeds the product of $38 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month;”.

(c) Section 403 (a) (1) of such Act is amended (1) by striking out “fourteen-seventeenths” and “$17” in clause (A) and inserting in lieu thereof “five-sixths” and “$18”, respectively; and (2) by striking out “$30” in clause (B) and inserting in lieu thereof “$32”.

(d) Section 1003(a) (1) of such Act is amended (1) by striking out, in clause (A), “29/35” and “$35” and inserting in lieu thereof “31/37” and “$37”, respectively; and (2) by striking out, in clause (B), “$70” and inserting in lieu thereof “$75”.

J. 35-001-A—10
(e) Section 1403 (a) (1) of such Act is amended (1)
by striking ;«ut, in clause (A), "29/35" and "$35" and
inserting in lieu thereof "31/37" and "$37", respectively;
and (2) by striking out, in clause (B), "$70" and inserting
in lieu thereof "$75".

(f) Sections 3, 403, 1003, 1403, and 1603 of such
Act are each amended by inserting after subsection (c) the
following new subsection:

"(d) The amount determined under this section for any
State for any quarter shall be reduced to the extent that—

"(1) the excess of (A) the total determined for
the State under the preceding provisions of this section
for such quarter over (B) the average of the totals
determined for the State under this section for each
quarter of the fiscal year ending June 30, 1965, is
greater than,

"(2) the excess of (A) the total expenditures for
such quarter for which the determination is being made
under the State plan approved under this title over
(B) the average of the total expenditures under the
State plan approved under this title for each quarter
of the fiscal year ending June 30, 1965.

For purposes of this subsection, expenditures under the
State plan of any State approved under this title, and the
payment determined with respect thereto under this section,
shall be determined on the basis of data furnished by the State in the quarterly reports submitted by the State to the Secretary pursuant to and in accord with the requirements of the Secretary under this title; and determinations so made shall be conclusive for purposes of this subsection.”

(g) The amendments made by this section shall apply in the case of expenditures made after December 31, 1965, under a State plan approved under title I, IV, X, XIV, or XVI of the Social Security Act.

DISREGARDING CERTAIN EARNINGS IN DETERMINING NEED UNDER OLD-AGE ASSISTANCE PROGRAMS

SEC. 303. (a) Effective January 1, 1966, section 2 (a) (10) (A) of the Social Security Act is amended by striking out “; except that, in making such determination, of the first $50 per month of earned income the State agency may disregard, after December 31, 1962, not more than the first $10 thereof plus one-half of the remainder” and inserting in lieu thereof the following: “; except that, in making such determination of the first $80 per month of earned income, the State agency may disregard not more than the first $20 thereof plus one-half of the remainder”

(b) Effective January 1, 1966, section 1602 (a) (14) of such Act is amended by striking out “of the first $50 per month of earned income the State agency may, after December 31, 1962, disregard not more than the first $10 thereof
plus one-half of the remainder" and inserting in lieu thereof
"of the first $80 per month of earned income the State
agency may disregard not more than the first $20 thereof
plus one-half of the remainder".

AMENDMENT TO DEFINITION OF MEDICAL ASSISTANCE FOR
THE AGED

Sec. 304. (a) Section 6 (b) of the Social Security Act
is amended by striking out "who are not recipients of old-age
assistance" and inserting in lieu thereof "who are not re-
cipients of old-age assistance (except, for any month, for
recipients of old-age assistance who are admitted to or dis-
charged from a medical institution during such month)".

(b) Section 1605 (b) of such Act is amended by strik-
ing out "who are not recipients of aid to the aged, blind,
or disabled" and inserting in lieu thereof "who are not re-
cipients of aid to the aged, blind, or disabled (except, for
any month, for recipients of aid to the aged, blind, or dis-
abled who are admitted to or discharged from a medical in-
stitution during such month)".

(c) The amendments made by this section shall apply
in the case of expenditures under a State plan approved
under title I or XVI of the Social Security Act with respect
to care and services provided under such plan after
December 1965.
A BILL

S. 1

89TH CONGRESS

To provide a hospital insurance program for the