
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. GRUENING, MR. HARTKE, MR. INOUE, 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".

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1 MEANING OF TERM "SECRETARY"

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

6 TITLE I—HOSPITAL INSURANCE FOR THE AGED

7 SHORT TITLE

8 SEC. 100. This title may be cited as the "Hospital In-
9 surance Act of 1965".

1 PART A—HOSPITAL INSURANCE BENEFITS FOR THE AGED

2 FINDINGS AND DECLARATION OF PURPOSE

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

15 (b) The purposes of this title are (1) to provide aged
16 individuals entitled to benefits under the old-age, survivors,
17 and disability insurance system or the railroad retirement
18 system with basic protection against the costs of inpatient
19 hospital services, and to provide, in addition, as an alterna-
20 tive to such protection against the costs of inpatient hospital
21 care, protection against the costs of certain post-hospital

1 extended care, home health services, and outpatient hospital
2 diagnostic services; to utilize social insurance for financing
3 the protection so provided; to encourage, and make it pos-
4 sible for, such individuals to purchase protection against other
5 health costs by providing in such basic social insurance pro-
6 tection a set of benefits which can easily be supplemented by
7 a State, private insurance, or other methods; to assure ade-
8 quate and prompt payment on behalf of these individuals to
9 the providers of these services; and to do these things in a
10 manner consistent with the dignity and self-respect of each
11 individual, without interfering in any way with the free
12 choice of physicians or other health personnel or facilities
13 by the individual, and without the exercise of any Federal
14 supervision or control over the practice of medicine by any
15 doctor or over the manner in which medical services are
16 provided by any hospital or any other medical facility; and
17 (2) to provide such basic protection, financed from gen-
18 eral revenues, to those persons who are now age 65 or over
19 or who will reach age 65 within the next several years and
20 who are not eligible for benefits under the old-age, survivors,
21 and disability insurance or railroad retirement systems.

22 (c) It is hereby declared to be the policy of the Congress
23 that post-hospital extended care for which payment may be
24 made under title XVIII of the Social Security Act shall be
25 utilized in lieu of continuation of inpatient hospital services

1 where such care would suffice in meeting the medical needs
2 of the patient, and that home health services for which pay-
3 ment may be made under such title XVIII shall be utilized
4 in lieu of inpatient hospital services or post-hospital extended
5 care where home health services would suffice.

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

13 **BENEFITS**

14 **SEC. 102.** The Social Security Act is amended by add-
15 ing after title XVII the following new title:

16 **"TITLE XVIII—HOSPITAL INSURANCE BENE-**
17 **FITS FOR THE AGED**

18 **"PROHIBITION AGAINST ANY FEDERAL INTERFERENCE**

19 **"SEC. 1801.** Nothing in this title shall be construed to
20 authorize any Federal officer or employee to exercise any
21 supervision or control over the practice of medicine or the
22 manner in which medical services are provided, or over the
23 selection, tenure, or compensation of any officer or employee
24 of any hospital, extended care facility, or home health
25 agency; or to exercise any supervision or control over the

1 administration or operation of any such hospital, facility, or
2 agency.

3 "FREE CHOICE BY PATIENT GUARANTEED

4 "SEC. 1802. Any individual entitled to insurance bene-
5 fits under this title may obtain inpatient hospital services,
6 posthospital extended care, home health services, or out-
7 patient hospital diagnostic services from any provider of
8 services which has an agreement in effect under this title
9 and which undertakes to provide him such services or care.

10 "OPTION TO INDIVIDUALS TO OBTAIN SUPPLEMENTARY
11 PRIVATE HEALTH INSURANCE PROTECTION

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

19 "ENTITLEMENT TO BENEFITS

20 "SEC. 1804. (a) Every individual who—

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

22 " (2) is entitled to monthly insurance benefits un-
23 der section 202,

24 shall be entitled to insurance benefits under this title for
25 each month for which he is entitled to such benefits under

1 section 202, beginning with the first month after June 1966
2 with respect to which he meets the conditions specified in
3 paragraphs (1) and (2).

4 “(b) For purposes of this section—

5 “(1) entitlement of an individual to insurance
6 benefits under this title for a month shall consist of
7 entitlement to have payment made under, and subject
8 to the limitations in, this title on his behalf for inpatient
9 hospital services, post-hospital extended care, home
10 health services, and outpatient hospital diagnostic serv-
11 ices furnished him in the United States during such
12 month, except that no such payment may be made for
13 post-hospital extended care furnished before January
14 1967; and

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

20 “DEDUCTIBLE; DURATION OF SERVICES

21 “Deductible

22 “SEC. 1805. (a) (1) Payment for inpatient hospital
23 services furnished an individual during any benefit period
24 shall be reduced by a deduction equal to the current average
25 per diem rate for such services for one day.

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

12 “Determination of Current Average Per Diem Rate

13 “(b) The Secretary shall, as soon as possible after the
14 enactment of this Act and between July 1 and October 1 of
15 each year thereafter, promulgate the current average per
16 diem rate for inpatient hospital services which shall be ap-
17 plicable for the purposes of subsection (a) in the case of
18 benefit periods beginning during the succeeding calendar
19 year. Such current average per diem rate shall be based
20 on the best information available to the Secretary (at the
21 time the determination is made) as to the amounts paid
22 under this title on account of inpatient hospital services
23 furnished, during the two calendar years preceding such
24 determination by hospitals which have agreements in effect
25 under section 1810, to individuals who are entitled to insur-

1 ance benefits under this title; except that, in the case of
2 benefit periods (and thirty-day periods) beginning before
3 1969 such current average per diem rate shall be based on
4 the best information available to the Secretary with respect
5 to costs of inpatient hospital services for such individuals.
6 Any amount determined under the preceding provisions of
7 this subsection which is not a multiple of \$1, shall—

8 “(1) if it is a multiple of \$0.50, be raised to the next
9 higher multiple of \$1, or

10 “(2) in any other case be rounded to the nearest
11 multiple of \$1.

12 “Duration of Services

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

15 “(1) inpatient hospital services furnished to him
16 during such period after such services have been fur-
17 nished to him for sixty days during such period; or

18 “(2) posthospital extended care furnished to him
19 during such period after such care has been furnished
20 him for sixty days during such period.

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

1 made with respect to such services or care under this title.
2 Payment under this title may not be made for home health
3 services furnished an individual, during a calendar year, after
4 such services have been furnished him during—

5 “(A) in the case of the calendar year 1966, 120
6 visits in such year (not counting any visit prior to July
7 1, 1966), or

8 “(B) in the case of any other year, 240 visits in
9 such year.

10 “Benefit Period

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

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

20 “(2) ending with the ninetieth day thereafter on
21 each of which he is neither an inpatient of a hospital
22 nor an inpatient of an extended care facility (whether
23 or not such 90 days are consecutive), but only if such
24 90 days occur within a period of not more than 180
25 consecutive days.

1 "DEFINITION OF SERVICES, INSTITUTIONS, ETC.

2 "SEC. 1806. For purposes of this title—

3 "Inpatient Hospital Services

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

8 "(1) bed and board,

9 "(2) such nursing services and other related serv-
10 ices, such use of hospital facilities, and such medical
11 social services as [>]are customarily furnished by the hospi-
12 tal for the care and treatment of inpatients, and such
13 drugs, biologicals, supplies, appliances, and equipment,
14 for use in the hospital, as are customarily furnished by
15 such hospital for the care and treatment of inpatients,
16 and

17 "(3) such other diagnostic or therapeutic items or
18 services, furnished by the hospital or by others under
19 arrangements with them made by the hospital, as are
20 customarily furnished to inpatients either by such hos-
21 pital or by others under such arrangements;

22 excluding, however—

23 "(4) medical or surgical services provided by a
24 physician, resident, or intern, except services provided
25 in the field of pathology, radiology, physiatry, or anes-

1 thesiology, and except services provided in the hospital
2 by an intern or a resident-in-training under a teaching
3 program approved by the Council on Medical Education
4 of the American Medical Association (or, in the case
5 of an osteopathic hospital, approved by the Committee
6 on Hospitals of the Bureau of Professional Education
7 of the American Osteopathic Association) ; and

8 “(5) the services of a private-duty nurse.

9 “Hospital

10 “(b) The term ‘hospital’ (except for purposes of section
11 1805 (d) (2) section 1809 (f), paragraph (7) of this sub-
12 section, and so much of subsection (d) of this section as
13 precedes paragraph (1) thereof) means an institution
14 which—

15 “(1) is primarily engaged in providing, by or
16 under the supervision of physicians or surgeons, to
17 inpatients (A) diagnostic services and therapeutic
18 services for medical diagnosis, treatment, and care of
19 injured, disabled, or sick persons, or (B) rehabilitation
20 services for the rehabilitation of injured, disabled, or
21 sick persons,

22 “(2) maintains clinical records on all patients,

23 “(3) has bylaws in effect with respect to its staff
24 of physicians,

1 “(4) has a requirement that every patient must
2 be under the care of a physician,

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

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

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

15 “(8) meets such other requirements as the Sec-
16 retary finds necessary in the interest of the health and
17 safety of individuals who are furnished services in the
18 institution, except that such other requirements may not
19 be higher than the comparable requirements prescribed
20 for the accreditation of hospitals by the Joint Commis-
21 sion on the Accreditation of Hospitals.

22 For purposes of section 1805 (d) (2), such term includes
23 any institution which meets the requirements of paragraph
24 (1) of this subsection For purposes of section 1809 (f)

1 (including determination of whether an individual received
2 inpatient hospital services for purposes of such section
3 1809 (f)), and so much of subsection (d) of this section
4 as precedes paragraph (1) thereof, such term includes any
5 institution which meets the requirements of paragraphs (1),
6 (2), (4), (5), and (7) of this subsection. Notwith-
7 standing the preceding provisions of this subsection, such
8 term shall not, except for purposes of section 1805 (d) (2);
9 include any institution which is primarily for the care and
10 treatment of tuberculosis or mental diseases.

11 "Utilization Review

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

16 "(1) for the review, on a sample or other basis,
17 of admissions to the institution, the duration of stays
18 therein, and the professional services (including drugs
19 and biologicals) furnished, (A) with respect to the
20 medical necessity of the services, and (B) for the pur-
21 pose of promoting the most efficient use of available
22 health facilities and services;

23 "(2) for such review to be made by either (A)
24 a staff committee of the institution composed of two
25 or more physicians, with or without participation of

1 other professional personnel, or (B) a group outside the
2 institution which is similarly composed and (i) which
3 is established by the local medical society and some or
4 all of the hospitals and extended care facilities in the
5 locality, or (ii) if (and for as long as) there has not
6 been established such a group which serves such insti-
7 tution, which is established in such other manner as
8 may be approved by the Secretary;

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

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

21 “(5) for prompt notification to the institution,
22 the individual, and his attending physician of any find-
23 ing (made after opportunity for consultation to such
24 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.

13 “Posthospital Extended Care

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

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

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

23 “(3) physical, occupational, or speech therapy
24 furnished by the extended care facility or by others under
25 arrangements with them made by the facility,

1 “(4) medical social services,

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

6 “(6) medical services provided by an intern or resi-
7 dent-in-training of a hospital, with which the facility
8 has in effect a transfer agreement (meeting the require-
9 ments of subsection (f)), under a teaching program of
10 such hospital approved as provided in subsection (a)
11 (4), and

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

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

18 “Extended Care Facility

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

25 “(1) is primarily engaged in providing to in-

1 patients (A) skilled nursing care and related services
2 for patients who require medical or nursing care or (B)
3 rehabilitation services,

4 “(2) has policies, which are developed with the
5 advice of (and with provision of review of such policies
6 from time to time by) a group of professional personnel,
7 including one or more physicians and one or more regis-
8 tered professional nurses, to govern the skilled nursing
9 care and related medical or other services it provides,

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

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

17 “(5) maintains clinical records on all patients,

18 “(6) provides twenty-four-hour nursing service
19 which is sufficient to meet nursing needs in accordance
20 with the policies developed as provided in subpara-
21 graph (2), and has at least one registered professional
22 nurse employed full time,

23 “(7) provides appropriate methods and procedures
24 for the dispensing and administering of drugs and
25 biologicals,

1 " (8) has in effect a utilization review plan which
2 meets the requirements of subsection (c) ,

3 " (9) in the case of an institution in any State in
4 which State or applicable local law provides for the
5 licensing of institutions of this nature, (A) is licensed
6 pursuant to such law, or (B) is approved, by the agency
7 of such State or locality responsible for licensing insti-
8 tutions of this nature, as meeting standards established
9 for such licensing, and

10 " (10) meets such other conditions relating to the
11 health and safety of individuals who are furnished serv-
12 ices in such institution or relating to the physical facili-
13 ties thereof as the Secretary may find necessary ;

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

20 "Agreements for Transfer Between Extended Care
21 Facilities and Hospitals

22 " (f) A hospital and an extended care facility shall be
23 considered to have a transfer agreement in effect if, by reason
24 of a written agreement between them or (in case the two
25 institutions are under common control) by reason of a writ-

1 ten undertaking by the person or body which controls them,
2 there is reasonable assurance that—

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

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

12 “Home Health Services

13 “(g) The term ‘home health services’ means the follow-
14 ing items and services furnished to an individual, who is
15 under the care of a physician, by a home health agency or by
16 others under arrangements with them made by such agency,
17 under a plan (for furnishing such items and services to such
18 individual) established and periodically reviewed by a
19 physician, which items and services are provided in a place
20 of residence used as such individual’s home—

21 “(1) part-time or intermittent nursing care pro-
22 vided by or under the supervision of a registered pro-
23 fessional nurse,

24 “(2) physical, occupational, or speech therapy,

25 “(3) medical social services,

1 “(4) to the extent permitted in regulations, part-
2 time or intermittent services of a home health aid,

3 “(5) medical supplies (other than drugs and bio-
4 logicals), and the use of medical appliances, while under
5 such a plan, and

6 “(6) in the case of a home health agency which
7 is affiliated or under common control with a hospital,
8 medical services provided by an intern or resident-in-
9 training of such hospital, under a teaching program of
10 such hospital approved as provided in subsection (a)
11 (4) ;

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

15 “Home Health Agency

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

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

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

23 “(3) has policies, established by a group of pro-
24 fessional personnel (associated with the agency), in-
25 cluding one or more physicians and one or more regis-

1 tered professional nurses, to govern the services (referred
2 to in paragraph (2)) which it provides, and provides
3 for supervision of such services by a physician or regis-
4 tered professional nurse,

5 “(4) maintains clinical records on all patients,

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

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

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

20 “Outpatient Hospital Diagnostic Services

21 “(i) The term ‘outpatient hospital diagnostic services’
22 means diagnostic services—

23 “(1) which are furnished to an individual as an
24 outpatient by a hospital or by others under arrange-
25 ments with them made by a hospital, and

1 “(2) which are customarily furnished by such hos-
2 pital (or by others under such arrangements) to its
3 outpatients for the purpose of diagnostic study:

4 excluding, however—

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

8 “(4) any services furnished under such arrange-
9 ments unless (A) furnished in the hospital or in other
10 facilities operated by or under the supervision of the hos-
11 pital or its organized medical staff, and (B) in the case
12 of professional services, furnished by or under the re-
13 sponsibility of members of the hospital medical staff
14 acting as such members.

15 “Drugs and Biologicals in Hospitals and Extended Care
16 Facilities

17 “(j) The term ‘drugs’ and the term ‘biologicals’, ex-
18 cept for purposes of subsection (g) (5) of this section, in-
19 clude only such drugs and biologicals, respectively, as are
20 included in the United States Pharmacopocia, National For-
21 mulary, New Drugs, or Accepted Dental Remedies, or are
22 approved by the pharmacy and drug therapeutics committee
23 (or equivalent committee) of the medical staff of a hospital
24 having an agreement in effect under section 1810.

1 “Arrangements for Certain Services

2 “(k) The term ‘arrangements’ is limited to arrange-
3 ments under which receipt of payment by the hospital,
4 extended care facility, or home health agency (whether in
5 its own right or as agent), with respect to services for which
6 an individual is entitled to have payment made under this
7 title, discharges the liability of such individual or any other
8 person to pay for the services.

9 “Provider of Services

10 “(l) The term ‘provider of services’ means a hospital,
11 extended care facility, or home health agency.

12 “Physician

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

19 “States and United States

20 “(n) The term ‘State’ and ‘United States’ shall have
21 the meaning ascribed to them in subsections (h) and (i),
22 respectively, of section 210.

1 "USE OF STATE AGENCIES AND OTHER ORGANIZATIONS TO
2 DEVELOP CONDITIONS OF PARTICIPATION FOR PROVID-
3 ERS OF SERVICE

4 "SEC. 1807. In carrying out his functions, relating to
5 determination of conditions of participation by providers
6 of services, under section 1806 (b) (8), section 1806 (e)
7 (11), or section 1806 (h) (6), the Secretary shall consult
8 with the Hospital Insurance Benefits Advisory Council estab-
9 lished by section 1812, appropriate State agencies, and
10 recognized national listing or accrediting bodies. Such con-
11 ditions prescribed under any of such sections may be varied
12 for different areas or different classes of institutions or agen-
13 cies and may, at the request of a State, provide (subject to
14 the limitation provided in section 1806 (b) (8)) higher re-
15 quirements for such State than for other States.

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

19 "SEC. 1808. (a) The Secretary may, pursuant to agree-
20 ment, utilize the services of State health agencies or other
21 appropriate State agencies for the purposes of (1) deter-
22 mining whether an institution is a hospital or extended care

1 facility, or whether an agency is a home health agency,
2 (2) providing consultative services to institutions or agencies
3 to assist them (A) to qualify as hospitals, extended care
4 facilities, or home health agencies, (B) to establish and
5 maintain fiscal records necessary for purposes of this title,
6 and (C) to provide information which may be necessary
7 to permit determination under this title as to whether pay-
8 ments are due and the amounts thereof, or (3) providing
9 consultative services to institutions, agencies, or societies to
10 assist in the establishment of utilization review procedures
11 meeting the requirements of section 1806 (c) and in eval-
12 uating their effectiveness. To the extent that the Secretary
13 finds it appropriate, an institution or agency which such a
14 State agency certified is a hospital, extended care facility,
15 or home health agency may be treated as such by the Secre-
16 tary. The Secretary shall pay any such State agency, in
17 advance or by way of reimbursement, as may be provided in
18 the agreement with it (and may make adjustments in such
19 payments on account of overpayments or underpayments
20 previously made), for the reasonable cost of performing the
21 functions specified in the first sentence of this subsection, and
22 for the fair share of the costs attributable to the planning
23 and other efforts directed toward coordination of activities in
24 carrying out its agreement and other activities related to the

1 provision of services similar to those for which payment may
2 be made under this title, or related to the facilities and per-
3 sonnel required for the provision of such services, or related
4 to improving the quality of such services.

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

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

1 "CONDITIONS OF AND LIMITATIONS ON PAYMENT FOR
2 SERVICES

3 "Requirement of Requests and Certifications

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

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

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

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

25 "(B) in the case of outpatient hospital diag-

1 nostic services, such services are or where required
2 for diagnostic study;

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

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

22 “(3) with respect to inpatient hospital services fur-
23 nished such individual after the twenty-first day of a
24 continuous period of such services and with respect to
25 posthospital extended care furnished after such day of a

1 continuous period of such care as may be prescribed in
2 or pursuant to regulations, there was not in effect, at the
3 time of admission of such individual to the hospital or
4 extended care facility, as the case may be, a decision
5 under section 1810 (e) (based on a finding that timely
6 utilization review of long-stay cases is not being made in
7 such hospital or facility) ;

8 “(4) with respect to inpatient hospital services or
9 posthospital extended care furnished such individual
10 during a continuous period, a finding has not been made
11 (by the physician members of the committee or group)
12 pursuant to the system of utilization review that further
13 inpatient hospital services or further posthospital ex-
14 tended care, as the case may be, are not medically neces-
15 sary; except that, if such a finding has been made,
16 payment may be made for such services or care furnished
17 before the fourth day after the day on which the hospital
18 or extended care facility, as the case may be, received
19 notice of such finding.

20 “Determination of Cost of Services

21 “(b) The amount paid to any provider of services with
22 respect to services for which payment may be made under
23 this title shall be the reasonable cost of such services, as de-
24 ~~termined in accordance with regulations establishing the~~
25 method or methods to be used, and the items to be included,

1 in determining such costs for various types or classes of insti-
2 tutions, services, and agencies. In prescribing such regula-
3 tions, the Secretary shall consider, among other things, the
4 principles generally applied by national organizations or
5 established prepayment organizations (which have devel-
6 oped such principles) in computing the amount of payment,
7 to be made by persons other than the recipients of services,
8 to providers of services on account of services furnished to
9 such recipients by such providers. Such regulations may
10 provide for determination of the costs of services on a per
11 diem, per unit, per capita, or other basis, may provide for
12 using different methods in different circumstances, and may
13 provide for the use of estimates of costs of particular items or
14 services.

15 "Amount of Payment for More Expensive Services

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

24 "(2) Where a provider of services which has an agree-

1 ment in effect under this title furnishes to an individual items
2 or services which are in excess of or more expensive than the
3 items or services with respect to which payment may be made
4 under this title, the Secretary shall pay to such provider of
5 services only the equivalent of the reasonable cost of the
6 items or services with respect to which payment under this
7 title may be made.

8 "Amount of Payment Where Less Expensive Services
9 Furnished

10 "(d) In case the bed and board furnished as part of
11 inpatient hospital services or posthospital extended care in
12 accommodations other than, but not more expensive than,
13 two-, three-, or four-bed accommodations and the use of such
14 other accommodations rather than two-, three-, or four-bed
15 accommodations was neither at the request of the patient
16 nor for a reason which the Secretary determines is consistent
17 with the purposes of this title, the amount of the payment
18 with respect to such services or care under this title shall be
19 the reasonable cost thereof (determined pursuant to subsec-
20 tion (b)) minus the difference between the charge custom-
21 arily made by the hospital or extended care facility for such
22 services or care in two-, three-, or four-bed accommodations
23 and the charge customarily made by it for such services or
24 care in the accommodations furnished.

1 “No Payments to Federal Providers of Services

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

10 “Payments for Emergency Inpatient Hospital Services

11 “(f) Payments shall also be made to any hospital for
12 inpatient hospital services or outpatient hospital diagnostic
13 services furnished, by the hospital or under arrangements
14 (as defined in section 1806(k)) with it, to an individual
15 entitled to hospital insurance benefits under this title even
16 though such hospital does not have an agreement in effect
17 under this title if (A) such services were emergency serv-
18 ices and (B) the Secretary would be required to make such
19 payment if the hospital had such an agreement in effect and
20 otherwise met the conditions of payment hereunder. Such
21 payment shall be made only in amounts determined as pro-
22 vided in subsection (b) and then only if such hospital agrees
23 to comply, with respect to the emergency services provided,
24 with the provisions of section 1810(a).

1 “Payment for Services Prior to Notification of Non-
2 eligibility

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

20 “AGREEMENTS WITH PROVIDERS OF SERVICES

21 “SEC. 1810. (a) (1) Any provider of services shall be
22 eligible for payments under this title if it files with the
23 Secretary an agreement—

24 “(A) not to charge, except as provided in para-
25 graph (2), any individual or any other person for

1 items or services for which such individual is entitled
2 to have payment made under this title (or for which
3 he would be so entitled if such provider of services had
4 complied with the procedural and other requirements
5 under or pursuant to this title or for which such provider
6 is paid pursuant to the provisions of section 1809 (g)),
7 and

8 “(B) to make adequate provision for return (or
9 other disposition, in accordance with regulations) of
10 any moneys incorrectly collected from such individual
11 or other person.

12 “(2) (A) A provider of services may charge such in-
13 dividual or other person the amount of any deduction im-
14 posed pursuant to subsection (a) of section 1805 with
15 respect to such items and services (not in excess of the
16 amount customarily charged for such items and services by
17 such provider).

18 “(B) Where a provider of services has furnished, at
19 the request of such individual, items or services which are
20 in excess of or more expensive than the items or services
21 with respect to which payment may be made under this title,
22 such provider of services may also charge such individual or
23 other person for such more expensive items or services to the
24 extent that the amount customarily charged by it for the
25 items or services furnished at such request exceeds the

1 amount customarily charged by it for the items or services
2 with respect to which payment may be made under this
3 title.

4 “(b) An agreement with the Secretary under this sec-
5 tion may be terminated—

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

10 “(2) by the Secretary at such time and upon such
11 notice to the provider of services and the public as may
12 be specified in regulations, but only after the Secretary
13 has determined, and has given such provider notification
14 thereof, (A) that such provider of services is not com-
15 plying substantially with the provisions of such agree-
16 ment, or with the provisions of this title and regu-
17 lations thereunder, or (B) that such provider of services
18 no longer substantially meets the applicable provisions
19 of section 1806, or (C) that such provider of services
20 has failed to provide such information as the Secretary
21 finds necessary to determine whether payments are or
22 were due under this title and the amounts thereof, or
23 has refused to permit such examination of its fiscal and
24 other records by or on behalf of the Secretary as may be
25 necessary to verify such information.

1 Any termination shall be applicable— /

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

8 “(4) (A) with respect to home health services fur-
9 nished to an individual under a plan therefor established
10 on or after the effective date of such termination, or (B)
11 if a plan is established before such effective date, with
12 respect to such services furnished to such individual after
13 the calendar year in which such termination is effective,
14 and

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

18 “(c) Nothing in this title shall preclude any provider
19 of services or any group or groups of providers of services
20 from being represented by an individual, association, or orga-
21 nization authorized by such provider or providers of services
22 to act on its or their behalf in negotiating with respect to its
23 or their participation under this title and the terms, methods,
24 and amounts of payments for services to be provided there-
25 under.

1 “(d) Where an agreement filed under this title by a
2 provider or services has been terminated by the Secretary,
3 such provider may not file another agreement under this
4 title unless the Secretary finds that the reason for the termi-
5 nation has been removed and that there is reasonable assur-
6 ance that it will not recur.

7 “(e) If the Secretary finds that there is a substantial
8 failure to make timely review in accordance with section
9 1806 (c) of long-stay cases in a hospital or extended-care
10 facility, he may, in lieu of terminating his agreement with
11 such hospital or facility, decide that, with respect to any
12 individual admitted to such hospital or facility after a date
13 specified by him, no payment shall be made for inpatient
14 hospital services after the twenty-first day of a continuous
15 period of such services or for post-hospital extended care
16 after such day of a continuous period of such care as is pre-
17 scribed in or pursuant to regulations, as the case may be.
18 Such decision may be made only after such notice to the hos-
19 pital, or (in the case of an extended care facility) to the facil-
20 ity and the hospital or hospitals with which it has a transfer
21 agreement, and to the public as may be prescribed by regu-
22 lations, and its effectiveness shall terminate when the Secre-
23 tary finds that the reason therefor has been removed and
24 that there is reasonable assurance that it will not recur.

1 “PAYMENT TO PROVIDERS OF SERVICES

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

12 “HOSPITAL INSURANCE BENEFITS ADVISORY COUNCIL

13 “SEC. 1812. For the purpose of advising the Secretary
14 on matters of general policy in the administration of this title
15 and in the formulation of regulations under this title, there is
16 hereby created a Hospital Insurance Benefits Advisory Coun-
17 cil which shall consist of sixteen persons, not otherwise in
18 the employ of the United States, appointed by the Secretary
19 without regard to the civil service laws. The Secretary shall
20 from time to time appoint one of the members to serve as
21 Chairman. The appointed members shall include persons
22 who are outstanding in fields related to hospital and health
23 activities. Each appointed member shall hold office for a
24 term of four years, except that any member appointed to

1 fill a vacancy prior to the expiration of the term for which
2 his predecessor was appointed shall be appointed for the
3 remainder of such term, and except that the terms of office
4 of the members first taking office shall expire, as designated
5 by the Secretary at the time of appointment, four at the end
6 of the first year, four at the end of the second year, four at
7 the end of the third year, and four at the end of the fourth
8 year after the date of appointment. An appointed member
9 shall not be eligible to serve continuously for more than 2
10 terms. The Secretary may, at the request of the Council
11 or otherwise, appoint such special advisory or technical com-
12 mittees as may be useful in carrying out this title. Appointed
13 members of the Advisory Council and members of any such
14 advisory or technical committee, while attending meetings
15 or conferences thereof or otherwise serving on business of
16 the Advisory Council or of such committee, shall be entitled
17 to receive compensation at rates fixed by the Secretary, but
18 not exceeding \$100 per day, including travel time, and while
19 so serving away from their homes or regular places of busi-
20 ness they may be allowed travel expenses, including per
21 diem in lieu of subsistence, as authorized by section 5 of the
22 Administrative Expenses Act of 1946 (5 U.S.C. 73b-2)
23 for persons in the Government service employed intermit-
24 tently. The Advisory Council shall meet as frequently as
25 the Secretary deems necessary. Upon request of four or

1 more members, it shall be the duty of the Secretary to call
2 a meeting of the Advisory Council.

3 "REVIEW OF DETERMINATIONS

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

16 "OVERPAYMENTS TO INDIVIDUALS

17 "SEC. 1814. (a) Any payment under this title to any
18 provider of services with respect to inpatient hospital serv-
19 ices, posthospital extended care, home health services, or
20 outpatient hospital diagnostic services, furnished any indi-
21 vidual shall be regarded as a payment to such individual.

22 "(b) Where—

23 "(1) more than the correct amount is paid under
24 this title to a provider of services for services or care
25 furnished an individual and the Secretary determines

1 that, within such period as he may specify, the excess
2 over the correct amount cannot be recouped from such
3 provider of services, or

4 “(2) any payment has been made under section
5 1809 (g) to a provider of services for services or care
6 furnished an individual,

7 proper adjustments shall be made, under regulations pre-
8 scribed by the Secretary, by decreasing subsequent pay-
9 ments—

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

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

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

24 “(d) No certifying or disbursing officer shall be held
25 liable for any amount certified or paid by him to any pro-

1 vider of services where the adjustment or recovery of such
2 amount is waived under subsection (c) or where adjustment
3 under subsection (b) is not completed prior to the death of
4 all persons against whose benefits such adjustment is author-
5 ized.

6 "USE OF PRIVATE ORGANIZATIONS TO FACILITATE PAY-
7 MENT TO PROVIDERS OF SERVICES

8 "SEC. 1815. (a) The Secretary is authorized to enter
9 into an agreement with any organization, which has been
10 designated by any group of providers of services, or by an
11 association of such providers on behalf of its members, to
12 receive payments under section 1811 on behalf of such pro-
13 viders, providing for the determination by such organization
14 (subject to such review by the Secretary as may be pro-
15 vided for by the agreement) of the amount of payments
16 required pursuant to this title to be made to such providers,
17 and for making such payments. The Secretary shall not
18 enter into an agreement with any organization under this
19 section unless he finds it consistent with effective and efficient
20 administration of this title.

21 "(b) To the extent that the Secretary finds that per-
22 formance of any of the following functions by an organiza-
23 tion with which he has entered into an agreement under
24 subsection (a) will be advantageous and will promote the
25 efficient administration of this title, he may also include in

1 the agreement provision that the organization shall (with
2 respect to providers of services which are to receive pay-
3 ments through the organization) —

4 “(1) serve as a center for, and communicate to
5 provides, any information or instructions furnished to
6 it by the Secretary, and serve as a channel of communi-
7 cation from providers to the Secretary;

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

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

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

19 “(c) An agreement with any organization under this
20 section may contain such terms and conditions as the Sec-
21 retary finds necessary or appropriate, and may provide for
22 advances of funds to the organization for the making of pay-
23 ments by it under subsection (a) and shall provide for
24 payment of the reasonable cost of administration of the
25 organization as determined by the Secretary to be necessary

1 and proper for carrying out the functions covered by the
2 agreement.

3 “(d) If the designation of an organization as provided
4 in this section is made by an association of providers of serv-
5 ices, it shall not be binding on members of the association
6 which notify the Secretary of their election to that effect.
7 Any provider may, upon such notice as may be specified in
8 the agreement with an organization, withdraw his designa-
9 tion to receive payments through such organization and any
10 provider who has not designated an organization may elect
11 to receive payments from an organization which has entered
12 into agreement with the Secretary under this section, if the
13 Secretary and the organization agree to it.

14 “(e) An agreement with the Secretary under this sec-
15 tion may be terminated—

16 “(1) by the organization entering into such agree-
17 ment at such time and upon such notice to the Secretary,
18 to the public, and to the providers as may be provided in
19 regulations, or

20 “(2) by the Secretary at such time and upon such
21 notice to the organization, and to the providers which
22 have designated it for purposes of this section, as may
23 be provided in regulations, but only if he finds, after
24 reasonable notice and opportunity for hearing to the
25 organization, that (A) the organization has failed sub-

1 tions' means, unless the context otherwise requires, regula-
2 tions prescribed by the Secretary.

3 "APPLICATION OF CERTAIN PROVISIONS OF TITLE II

4 "SEC. 1817. The provisions of sections 206, 208, and
5 216 (j), and of subsections (a), (d), (e), (f), (h), (i),
6 and (l) of section 205 shall also apply with respect to this
7 title to the same extent as they are applicable with respect
8 to title II.

9 "DESIGNATION OF ORGANIZATION OR PUBLICATION BY NAME

10 "SEC. 1818. Designation in this title, by name, of any
11 nongovernmental organization or publication shall not be
12 affected by change of name of such organization or pub-
13 lication, and shall apply to any successor organization or
14 publication which the Secretary finds serves the purpose
15 for which such designation is made."

16 FEDERAL HOSPITAL INSURANCE TRUST FUND

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

22 "(c) There is hereby created on the books of the Treas-
23 ury of the United States a trust fund to be known as the
24 'Federal Hospital Insurance Trust Fund'. The Federal

1 Hospital Insurance Trust Fund shall consist of such amounts
2 as may be appropriated to, or deposited in, such fund as
3 provided in this section. There is hereby appropriated to
4 the Federal Hospital Insurance Trust Fund for the fiscal
5 year ending June 30, 1966, and for each fiscal year there-
6 after, out of any moneys in the Treasury not otherwise ap-
7 propriated, amounts equivalent to 100 per centum of—

8 “(1) (A) 0.6 of 1 per centum of the wages (as
9 defined in section 3121 of the Internal Revenue Code
10 of 1954) paid after December 31, 1965, and prior to
11 January 1, 1967, and reported to the Secretary of the
12 Treasury or his delegate pursuant to subtitle F of the
13 Internal Revenue Code of 1954, which wages shall be
14 certified by the Secretary of Health, Education, and
15 Welfare on the basis of the records of wages established
16 and maintained by such Secretary in accordance with
17 such reports; (B) 0.76 of 1 per centum of the wages
18 (as so defined) paid after December 31, 1966, and
19 prior to January 1, 1969, and so reported, which shall
20 be so certified by the Secretary of Health, Education,
21 and Welfare; and (C) 0.9 of 1 per centum of the
22 wages (as so defined) paid after December 31, 1968,
23 and so reported, which shall be so certified by the
24 Secretary of Health, Education, and Welfare; and

25 “(2) (A) 0.45 of 1 per centum of the amount of

1 self-employment income (as defined in section 1402 of
2 the Internal Revenue Code of 1954) reported to the
3 Secretary of the Treasury or his delegate on tax returns
4 under subtitle F of the Internal Revenue Code of 1954
5 for any taxable year beginning after December 31,
6 1965, and prior to January 1, 1967, which self-employ-
7 ment income shall be certified by the Secretary of
8 Health, Education, and Welfare on the basis of the records
9 of self-employment income established and maintained
10 by the Secretary of Health, Education, and Welfare in
11 accordance with such returns; (B) 0.57 of 1 per centum
12 of the self-employment income (as so defined) reported
13 to the Secretary of the Treasury or his delegate on tax
14 returns under such subtitle F for any taxable year begin-
15 ning after December 31, 1966, and prior to January 1,
16 1969, which shall be so certified by the Secretary of
17 Health, Education, and Welfare; and (C) 0.675 of 1
18 per centum of the self-employment income (as so de-
19 fined) reported to the Secretary of the Treasury or his
20 delegate on tax returns under such subtitle F for any
21 taxable year beginning after December 31, 1968, which
22 shall be so certified by the Secretary of Health, Edu-
23 cation, and Welfare.”

24 (b) (1) The heading of section 201 of the Social Se-
25 curity Act is amended to read: “FEDERAL OLD-AGE AND

1 SURVIVORS INSURANCE TRUST FUND, FEDERAL DISABILITY
2 INSURANCE TRUST FUND, AND FEDERAL HOSPITAL INSUR-
3 ANCE TRUST FUND”.

4 (2) Subsection (a) of section 201 of such Act is
5 amended by inserting “and the amounts specified in clause
6 (1) of subsection (c) of this section” immediately before the
7 semicolon in clause (3) thereof, by inserting “and the
8 amount specified in clause (2) of subsection (c) of this
9 section” immediately before the period in clause (4) thereof,
10 and by striking out the last sentence and inserting in lieu
11 thereof: “The amounts appropriated by clauses (3) and (4)
12 shall be transferred from time to time from the general fund
13 in the Treasury to the Federal Old-Age and Survivors Insur-
14 ance Trust Fund, the amounts appropriated by clauses (1)
15 and (2) of subsection (b) shall be transferred from time to
16 time from the general fund in the Treasury to the Federal
17 Disability Insurance Trust Fund, and the amounts appro-
18 priated by clauses (1) and (2) of subsection (c) shall be
19 transferred from time to time from the general fund in the
20 Treasury to the Federal Hospital Insurance Trust Fund,
21 such amounts to be determined on the basis of estimates by
22 the Secretary of the Treasury of the taxes, specified in clauses
23 (3) and (4) of this subsection, paid to or deposited into
24 the Treasury; and proper adjustment shall be made in
25 amounts subsequently transferred to the extent prior esti-

1 mates were in excess of or were less than the taxes specified
2 in such clauses (3) and (4) of this subsection.”

3 (c) The first sentence of the subsection of such section
4 201 herein redesignated as subsection (d) is amended by
5 striking out “and the Federal Disability Insurance Trust
6 Fund” and inserting in lieu thereof “, the Federal Disability
7 Insurance Trust Fund, and the Federal Hospital Insurance
8 Trust Fund”.

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

15 (e) Paragraph (1) of the subsection of such section
16 201 herein redesignated as subsection (h) is amended—

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

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

23 (3) by striking out “the other” each time that it
24 appears in the last two sentences of such paragraph (1)
25 and inserting in lieu thereof “another”.

1 (f) The last sentence of paragraph (2) of such sub-
2 section is amended by striking out "and the Federal Disabil-
3 ity Insurance Trust Fund" and inserting in lieu thereof "
4 Federal Disability Insurance Trust Fund, and the Federal
5 Hospital Insurance Trust Fund" and by striking out "and
6 clause (1) of subsection (b)" and inserting in lieu thereof
7 ", clause (1) of subsection (b), and clause (1) of sub-
8 section (c)".

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

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

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

18 (1) by striking out "Trust Funds" wherever it
19 appears and inserting in lieu thereof "Trust Funds (ex-
20 cept the Federal Hospital Insurance Trust Fund)";

21 (2) by striking out "subsection (g) of section
22 201" and inserting in lieu thereof "subsection (h) of
23 section 201"; and

24 (3) by inserting "under this title" before the pe-
25 riod at the end thereof.

1 (j) Section 221 (f) of such Act is amended by striking
2 out "Trust Funds" and inserting in lieu thereof "Federal
3 Old-Age and Survivors Insurance Trust Fund and the Fed-
4 eral Disability Insurance Trust Fund".

5 (k) Section 1106 (b) of such Act is amended by strik-
6 ing out "and the Federal Disability Insurance Trust Fund"
7 and inserting in lieu thereof ", the Federal Disability In-
8 surance Trust Fund, and the Federal Hospital Insurance
9 Trust Fund".

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

13 SEC. 104. (a) Anyone who—

14 (1) has attained the age of 65,

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

21 (3) is not, and upon filing application therefor
22 would not be, entitled to monthly insurance benefits un-
23 der section 202 of the Social Security Act and does not
24 meet the requirements set forth in subparagraph (B) of

1 section 21 (b) of the Railroad Retirement Act of 1937,
2 and

3 (4) has filed an application under this section at
4 such time, in such manner, and in accordance with such
5 other requirements as may be prescribed in regulations
6 of the Secretary,

7 shall (subject to the limitations in this section) be deemed,
8 solely for purposes of section 1804 of the Social Security Act,
9 to be entitled to monthly insurance benefits under such sec-
10 tion 202 for each month, beginning with the first month in
11 which he meets the requirements of this subsection and end-
12 ing with the month in which he dies, or if earlier, the month
13 before the month in which he becomes entitled to monthly
14 insurance benefits under such section 202 or meets the re-
15 quirements set forth in subparagraph (B) of section 21 (b)
16 of the Railroad Retirement Act of 1937.

17 (b) The provisions of subsection (a) (1) shall not ap-
18 ply to any individual unless he is—

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

21 (B) a citizen of the United States or an individual
22 who has resided in the United States (as so defined)
23 continuously for not less than 10 years;

24 and shall not apply to any individual who—

1 (C) is a member of any organization referred to
2 in section 210 (a) (17) of the Social Security Act,

3 (D) has been convicted of any offense listed in sec-
4 tion 202 (u) of the Social Security Act,

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

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

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

23 (2) the additional administrative expenses result-
24 ing therefrom, and

1 (3) any loss in interest to such Trust Fund result-
2 ing from the payment of such amounts,
3 in order to place such Trust Fund in the same position in
4 which it would have been if the preceding subsections of this
5 section had not been enacted.

6 SUSPENSION IN CASE OF ALIENS

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

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

15 PERSONS CONVICTED OF SUBVERSIVE ACTIVITIES

16 SEC. 106. Subsection (u) of section 202 of the Social
17 Security Act is amended by striking out “and” before the
18 phrase “in determining the amount of any such benefit pay-
19 able to such individual for any such month,” and inserting
20 after such phrase “and in determining whether such indi-
21 vidual is entitled to insurance benefits under title XVIII
22 for any such month.”

ADVISORY COUNCIL ON SOCIAL SECURITY

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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.

1 “(c) (1) Any Council appointed hereunder is author-
2 ized to engage such technical assistance, including actuarial
3 services, as may be required to carry out its functions, and
4 the Secretary shall, in addition, make available to such
5 Council such secretarial, clerical, and other assistance and
6 such actuarial and other pertinent data prepared by the
7 Department of Health, Education, and Welfare as it may
8 require to carry out such functions.

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

18 “(d) Each such Council shall make a report of its find-
19 ings and recommendations (including recommendations for
20 changes in the tax rates in sections 1401, 3101, and 3111
21 of the Internal Revenue Code of 1954) to the Secretary
22 of the Board of Trustees of the Trust Funds referred to in

1 subsection (a), such report to be submitted not later than
2 January 1 of the second year after the year in which it is
3 appointed, after which date such Council shall cease to exist,
4 and such report and recommendations shall be included in
5 the annual report of the Board of Trustees to be submitted
6 to the Congress not later than the March 1 following such
7 January 1.”

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

10 TECHNICAL AMENDMENTS TO INTERNAL REVENUE CODE

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

16 (b) Section 6051(c) of such Code is amended by
17 adding at the end thereof the following new sentence: “The
18 Secretary or his delegate may require that the statements
19 required under this section shall also show the proportion
20 of the total amount withheld as tax under section 3101 which
21 is for financing the cost of hospital and related insurance
22 benefits under title XVIII of the Social Security Act.”

1 PART B—RAILROAD RETIREMENT AMENDMENTS—HOS-
2 PITAL INSURANCE BENEFITS FOR THE AGED UNDER
3 THE RAILROAD RETIREMENT ACT

4 HOSPITAL INSURANCE BENEFITS FOR THE AGED

5 SEC. 121. (a) The Railroad Retirement Act of 1937
6 is amended by adding after section 20 of such Act the fol-
7 lowing new section:

8 “Hospital Insurance Benefits for the Aged

9 “SEC. 21. (a) For the purposes of this section, and sub-
10 ject to the conditions hereinafter provided, the Board shall
11 have the same authority to determine the rights of indi-
12 viduals described in subsection (b) of this section to have
13 payments made on their behalf for insurance benefits con-
14 sisting of inpatient hospital services, posthospital extended
15 care, home health services, and outpatient hospital diagnostic
16 services within the meaning of title XVIII of the Social
17 Security Act as the Secretary of Health, Education, and
18 Welfare has under such title XVIII with respect to indi-
19 viduals to whom such title applies. The rights of individuals
20 described in subsection (b) of this section to have payment
21 made on their behalf for the services and care referred to in
22 the next preceding sentence shall be the same as those of
23 individuals to whom title XVIII of the Social Security Act
24 applies and this section shall be administered by the Board
25 as if the provisions of such title XVIII were applicable,

1 references to the Secretary of Health, Education, and Wel-
2 fare were to the Board, references to the Federal Hos-
3 pital Insurance Trust Fund were to the Railroad Retire-
4 ment Account, references to the United States or a State in-
5 cluded Canada or a subdivision thereof, and the provisions
6 of sections 1807 and 1812 of such title XVIII were not in-
7 cluded in such title. For purposes of section 11, a de-
8 termination with respect to the rights of an individual under
9 this section shall, except in the case of a provider of services,
10 be considered to be a decision with respect to an annuity.

11 “(b) Except as otherwise provided in this section, every
12 individual who—

13 “(A) has attained age 65, and

14 “(B) (i) is entitled to an annuity, or (ii) would
15 be entitled to an annuity had he ceased compensated
16 service and, in the case of a spouse, had such spouse’s
17 husband or wife ceased compensated service, or (iii)
18 had been awarded a pension under section 6, or (iv)
19 bears a relationship to an employee which, by reason
20 of section 3 (e), has been, or would be, taken into ac-
21 count in calculating the amount of an annuity of such
22 employee or his survivor,

23 shall be entitled to have payment made for the services and
24 care referred to in subsection (a), and in accordance with
25 the provisions of such subsection. The payments for serv-

1 ices and care herein provided for shall be made from the
2 Railroad Retirement Account (in accordance with, and sub-
3 ject to, the conditions applicable under section 10 (b) in mak-
4 ing payment of other benefits) to the hospital, extended care
5 facility, or home health agency providing such services or
6 care, including such services or care provided in Canada to
7 individuals to whom this subsection applies but only to the
8 extent that the amount of payments for services or care
9 otherwise hereunder provided for an individual exceeds the
10 amount payable for like services or care provided pursuant
11 to the law in effect in the place in Canada where such serv-
12 ices or care are furnished. For the purposes of this section,
13 an individual shall be entitled to have payment made for
14 the services and care referred to in subsection (a) provided
15 during the month in which he died if he would be entitled
16 to have payment for services and care provided during such
17 month had he died in the next month.

18 “(c) No individual shall be entitled to have payment
19 made for the same services or care, which are provided for
20 in this section, under both this section and title XVIII of
21 the Social Security Act, and no individual shall be entitled
22 to have payment made under both this section and such title
23 XVIII for more than sixty days of inpatient hospital serv-
24 ices or more than sixty days of post-hospital extended care
25 during any benefit period, or more than one hundred and

1 twenty visits in calendar year 1966 or two hundred and
2 forty visits in any calendar year thereafter in which home
3 health services are furnished. In any case in which an in-
4 dividual would, but for the preceding sentence, be entitled
5 to have payment for such services or care made under both
6 this section and such title XVIII, payment for such services
7 or care to which such individual is entitled shall be made
8 in accordance with the procedures established pursuant to
9 the next succeeding sentence, upon certification by the
10 Board or by the Secretary of Health, Education, and Wel-
11 fare. It shall be the duty of the Board and such Secretary
12 with respect to such cases jointly to establish procedures
13 designed to minimize duplications of requests for payment
14 for services or care, and of determinations, and to assign
15 administrative functions between them so as to promote the
16 greatest facility, efficiency, and consistency of administra-
17 tion of this section and title XVIII of the Social Security
18 Act; and, subject to the provisions of this subsection to assure
19 that the rights of individuals under this section or title
20 XVIII of the Social Security Act shall not be impaired or
21 diminished by reason of the administration of this section
22 and title XVIII of the Social Security Act. The procedures
23 so established may be included in regulations issued by the
24 Board and by the Secretary of Health, Education, and Wel-

1 fare to implement this section and such title XVIII,
2 respectively.

3 “(d) Any agreement entered into by the Secretary
4 of Health, Education, and Welfare pursuant to title XVIII
5 of the Social Security Act shall be entered into on behalf
6 of both such Secretary and the Board. The preceding sen-
7 tence shall not be construed to limit the authority of the
8 Board to enter on its own behalf into any such agreement
9 relating to services provided in Canada or in any facility
10 devoted primarily to railroad employees.

11 “(e) A request for payment for services or care filed
12 under this section shall be deemed to be a request for pay-
13 ment for services or care filed as of the same time under
14 title XVIII of the Social Security Act, and a request for
15 payment for services or care filed under such title shall be
16 deemed to be a request for payment for services or care filed
17 as of the same time under this section.

18 “(f) The Board and the Secretary of Health, Educa-
19 tion, and Welfare shall furnish each other with such infor-
20 mation, records, and documents as may be considered neces-
21 sary to the administration of this section or title XVIII of
22 the Social Security Act.

23 “(g) Any erroneous payment to any provider of serv-
24 ices with respect to inpatient hospital services, posthospital
25 extended care, home health services, or outpatient diagnostic

1 services, furnished any individual shall be governed by the
2 provisions of section 1814 of the Social Security Act and
3 treated as if it were an erroneous payment of an annuity
4 or pension.

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

8 “(1) the costs of payments made from such account
9 under this section,

10 “(2) the additional administrative expenses result-
11 ing from such payments, and

12 “(3) any loss of interest to such account resulting
13 from such payments,

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

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

22 (b) (1) Section 5(k) (2) of such Act is amended—

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

1 (B) by striking out the second sentence and the
2 last sentence of subdivision (i) of the subparagraph
3 redesignated as subparagraph (A) by subparagraph
4 (A) of this paragraph; and by striking out from the
5 said subdivision (i) "the Retirement Account" and in-
6 serting in lieu thereof "the Railroad Retirement Account
7 (hereinafter termed 'Retirement Account')";

8 (C) by adding at the end of the subparagraph re-
9 designating as subparagraph (A) by subparagraph (A)
10 of this paragraph the following new subdivision:

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

1 Board shall, within ten days after the determination,
2 certify such amount to the Secretary of the Treasury
3 for transfer from the Retirement Account to the
4 Federal Hospital Insurance Trust Fund; if such
5 amount is to be subtracted from the Federal Hospital
6 Insurance Trust Fund the Secretary of Health, Ed-
7 ucation, and Welfare shall, within ten days after
8 the determination, certify such amount to the Sec-
9 retary of the Treasury for transfer from the Federal
10 Hospital Insurance Trust Fund to the Retirement
11 Account. The amount so certified shall further
12 include interest (at the rate determined under sub-
13 paragraph (B) for the fiscal year under considera-
14 tion) payable from the close of such fiscal year until
15 the date of certification;”

16 (D) by striking out “subparagraph (D)” where it
17 appears in the subparagraph redesignated as subpara-
18 graph (A) by subparagraph (A) of this paragraph, and
19 inserting in lieu thereof “subparagraph (B)”;

20 (E) by striking out “subparagraphs (B) and (C)”
21 where it appears in the subparagraph redesignated as
22 subparagraph (B) by subparagraph (A) of this para-
23 graph and inserting in lieu thereof “subparagraph (A)”;
24 and

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

4 “(C) The Secretary of the Treasury is authorized
5 and directed to transfer to the Federal Old-Age and
6 Survivors Insurance Trust Fund, the Federal Disability
7 Insurance Trust Fund, or the Federal Hospital Insur-
8 ance Trust Fund from the Retirement Account or to
9 the Retirement Account from the Federal Old-Age and
10 Survivors Insurance Trust Fund, the Federal Disability
11 Insurance Trust Fund, or the Federal Hospital Insur-
12 ance Trust Fund, as the case may be, such amounts as,
13 from time to time, may be determined by the Board and
14 the Secretary of Health, Education, and Welfare pur-
15 suant to the provisions of subparagraph (A), and
16 certified by the Board or the Secretary of Health, Educa-
17 tion, and Welfare for transfer from the Retirement
18 Account or from the Federal Old-Age and Survivors
19 Insurance Trust Fund, the Federal Disability Insurance
20 Trust Fund, or the Federal Hospital Insurance Trust
21 Fund.”

22 (?) The amendments made by paragraph (1) of this
23 subsection shall be effective January 1, 1966.

PART C—MISCELLANEOUS PROVISIONS

STUDIES AND RECOMMENDATIONS

1 SEC. 131. The Secretary of Health, Education, and
2 Welfare shall carry on studies and develop recommendations
3 to be submitted from time to time to the Congress relating
4 to health care of the aged including studies and recommenda-
5 tions concerning (1) the adequacy of other programs for
6 health care of the aged and the adequacy of existing facili-
7 ties for health care for purposes of the program established
8 by this title; (2) methods for encouraging the further de-
9 velopment of efficient and economical forms of health care
10 which are a constructive alternative to inpatient hospital care;
11 (3) the feasibility of providing additional types of health
12 insurance benefits (including benefits relating to mental dis-
13 eases) within the financial resources provided by this Act;
14 (4) the effects of the deductibles upon beneficiaries, hospi-
15 tals, and the financing of the program; and (5) the authori-
16 zation of payments with respect to additional days of post-
17 hospital extended care where the number of days of inpatient
18 hospital services in a benefit period for which payment is
19 made is less than the maximum provided under the pro-
20 gram.
21 gram.
22

1 PART D—COMPLEMENTARY PRIVATE HEALTH BENEFITS
2 COVERAGE FOR INDIVIDUALS AGED SIXTY-FIVE OR
3 OVER

4 PURPOSE

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

12 DEFINITIONS

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

15 (a) the term “health benefits plan” means the
16 policy, contract, agreement, or other arrangement en-
17 tered into between a carrier and another person whereby
18 the carrier, in consideration of the payment to it of a
19 periodic premium, undertakes to provide, pay for, or
20 provide reimbursement for the cost of, health services
21 for the individual (or group of individuals) who are
22 the beneficiaries of such policy, contract, agreement, or
23 other arrangement;

24 (b) the term “health benefits” means provision of,
25 payment for, or reimbursement for the cost of, all or

1 any part of any medical care or any other remedial care
2 recognized under State law, but only to the extent that
3 such care is not covered under the program established
4 by title XVIII of the Social Security Act;

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

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

14 REQUIREMENTS FOR APPROVAL

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

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

24 (1) the plan provides reasonable assurance that it
25 will provide, pay for, or provide reimbursement for the

1 cost of, health services the cost of which amounts on
2 the average, in the judgment of the Secretary, to not
3 less than 75 per centum of the cost of physicians' services
4 for aged persons 65 years of age or older;

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

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

12 (B) the terms and conditions of such plan as
13 well as the terms and conditions under which it is
14 offered and sold will be uniform, except that, sub-
15 ject to limitations in regulations of the Secretary

16 (i) the premiums and benefits under the plan may
17 be varied for different areas of any State or of the
18 United States whenever necessary to reflect differ-
19 ences in the cost of securing health services with
20 respect to which protection is provided under such
21 plan, and (ii) limitations upon the period, during
22 each year, when the plan is offered to new sub-
23 scribers in order to minimize the factor of adverse
24 selection in the sale of the plan (which may be
25 established by the association subject to limitations

1 in regulations of the Secretary) may be varied for
2 different areas of any State or of the United States,
3 and except that the plan may be varied with respect
4 to particular States to the extent permitted under
5 paragraph (3) hereof;

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

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

19 (E) any plan offered for sale in conjunction
20 with the plan approved under this part and which
21 is designed to provide health benefits supplementary
22 to those provided under such approved plan will
23 be offered in a manner which enables prospective
24 subscribers clearly to distinguish between the two
25 plans;

1 (3) the plan (A) is approved without change by
2 the State agencies, of a majority of States or of States
3 with a majority of the population of the United States
4 (according to the most recent data available to the
5 Secretary from the Department of Commerce), engaged
6 in supervising carriers offering health benefits plans for
7 sale in their respective States, and (B) is approved,
8 in any other States in which it is offered for sale, with
9 only such modifications as may be necessary to meet
10 special requirements of such agencies in each of such
11 other States and as are approved as reasonable by the
12 Secretary.

13 EXEMPTION OF ASSOCIATIONS FROM CERTAIN LAWS

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

24 COMPLIANCE PROVISIONS

25 SEC. 145. (a) If, after reasonable notice and opportu-

1 nity for hearing to an association or to a member thereof, the
2 Secretary determines that such association or member has
3 failed to comply substantially with any requirement of sec-
4 tion 143 or that the plan of such association approved under
5 this part has been so changed that it no longer complies with
6 any such requirement, the provisions of section 144 shall not
7 apply to the association and its members, or to such member,
8 as the case may be, until such time as the Secretary is satis-
9 fied that there will no longer be any such failure to comply.

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

13 HEARINGS AND JUDICIAL REVIEW

14 SEC. 146. (a) If a group of carriers, or any member
15 thereof, is dissatisfied with any action of the Secretary under
16 section 145 or with his refusal to approve a plan of such
17 group under this part, such group or such member, as the
18 case may be, may appeal to the United States Court of Ap-
19 peals for the District of Columbia by filing a petition with
20 such court within 60 days after such action. A copy of the
21 petition shall be forthwith transmitted by the clerk of the
22 court to the Secretary, or any officer designated by him for
23 that purpose. The Secretary shall thereupon file in the
24 court the record of the proceedings on which he based his
25 action, as provided in section 2112 of title 28, United States

1 Code. Upon the filing of such petition, the court shall have
2 jurisdiction to affirm the action of the Secretary or to set it
3 aside, in whole or in part, temporarily or permanently, but
4 until the filing of the record, the Secretary may modify or
5 set aside his order.

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

15 (c) The judgment of the court affirming or setting aside,
16 in whole or in part, any action of the Secretary shall be final,
17 subject to review by the Supreme Court of the United States
18 upon certiorari or certification as provided in section 1254
19 of title 28, United States Code. The commencement of pro-
20 ceedings under this section shall not, unless so specifically
21 ordered by the court, operate as a stay of the Secretary's
22 action.

1 TITLE II—SOCIAL SECURITY AMENDMENTS

2 SHORT TITLE

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

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

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

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY
BENEFITS

"I (Primary insurance benefit under 1939 Act, as modi- fied)		II (Primary insurance amount under 1958 Act, as modified)	III (Average monthly wage)		IV (Primary insur- ance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as de- termined under subsec. (d)) is—		Or his primary insurance amount (as deter- mined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding para- graphs of this subsection shall be—	And the maximum amount of bene- fits payable (as provided in sec. 203 (a)) on the basis of his wages and self-employ- ment income shall be—
At least—	But not more than—		At least—	But not more than—		
	\$13.48	\$40		\$67	\$42.80	\$64.20
\$13.49	14.00	41	\$68	69	43.90	65.90
14.01	14.48	42	70	70	45.00	67.50
14.49	15.00	43	71	72	46.10	69.20
15.01	15.60	44	73	74	47.10	70.70
15.61	16.20	45	75	76	48.20	72.30
16.21	16.84	46	77	78	49.30	74.00
16.85	17.60	47	79	80	50.30	75.50
17.61	18.40	48	81	81	51.40	77.10
18.41	19.24	49	82	83	52.50	78.80
19.25	20.00	50	84	85	53.50	80.30
20.01	20.64	51	86	87	54.60	81.90
20.65	21.28	52	88	89	55.70	83.60
21.29	21.88	53	90	90	56.80	85.20
21.89	22.28	54	91	92	57.80	86.70
22.29	22.68	55	93	94	58.90	88.40
22.69	23.08	56	95	96	60.00	90.00
23.09	23.44	57	97	97	61.00	91.50
23.45	23.76	58	98	99	62.10	93.20
23.77	24.20	59	100	101	63.20	94.80
24.21	24.60	60	102	102	64.20	96.30
24.61	25.00	61	103	104	65.30	98.00
25.01	25.48	62	105	106	66.40	99.60
25.49	25.92	63	107	107	67.50	101.30
25.93	26.40	64	108	109	68.50	102.80
26.41	26.94	65	110	113	69.60	104.40
26.95	27.46	66	114	118	70.70	106.10

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

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203 (a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
\$27.47	\$28.00	\$67	\$119	\$122	\$71.70	\$107.60
28.01	28.63	68	123	127	72.80	109.20
28.69	29.25	69	128	132	73.90	110.90
29.26	29.68	70	133	136	74.90	112.40
29.69	30.36	71	137	141	76.00	114.00
30.37	30.92	72	142	146	77.10	115.80
30.93	31.26	73	147	150	78.20	120.00
31.37	32.00	74	151	155	79.20	124.00
32.01	32.60	75	156	160	80.30	128.00
32.61	33.20	76	161	164	81.40	131.20
33.21	33.88	77	165	169	82.40	135.20
33.89	34.50	78	170	174	83.50	139.20
34.51	35.00	79	175	178	84.60	142.40
35.01	35.80	80	179	183	85.60	146.40
35.81	36.40	81	184	188	86.70	150.40
36.41	37.08	82	189	193	87.80	154.40
37.09	37.60	83	194	197	88.90	157.60
37.61	38.20	84	198	202	89.90	161.60
38.21	39.12	85	203	207	91.00	165.60
39.13	39.68	86	208	211	92.10	168.80
39.69	40.33	87	212	216	93.10	172.80
40.34	41.12	88	217	221	94.20	176.80
41.13	41.76	89	222	225	95.30	180.00
41.77	42.44	90	226	230	96.30	184.00
42.45	43.20	91	231	235	97.40	188.00
43.21	43.76	92	236	239	98.50	191.20
43.77	44.44	93	240	244	99.60	195.20
44.45	44.88	94	245	249	100.60	199.20
44.89	45.60	95	250	253	101.70	202.40
		96	254	258	102.80	206.40
		97	259	263	103.80	210.40
		98	264	267	104.90	213.60
		99	268	272	106.00	217.60
		100	273	277	107.00	221.60
		101	278	281	108.10	224.80
		102	282	286	109.20	228.80
		103	287	291	110.30	232.80
		104	292	295	111.30	236.00
		105	296	300	112.40	240.00
		106	301	305	113.50	244.00
		107	306	309	114.50	247.20
		108	310	314	115.60	251.20
		109	315	319	116.70	254.00
		110	320	323	117.70	255.00
		111	324	328	118.80	256.30
		112	329	333	119.90	258.80
		113	334	337	121.00	260.40
		114	338	342	122.00	262.40
		115	343	347	123.10	264.40
		116	348	351	124.20	266.00
		117	352	356	125.20	268.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203 (a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		\$113	\$357	\$361	\$126.30	\$270.00
		119	362	365	127.40	271.60
		120	366	370	128.40	273.60
		121	371	375	129.50	275.60
		122	376	379	130.60	277.20
		123	380	384	131.70	279.20
		124	385	389	132.70	281.20
		125	390	393	133.80	282.80
		126	394	398	134.90	284.80
		127	399	403	135.90	286.80
			404	407	136.90	288.40
			408	412	137.90	290.40
			413	417	138.90	292.40
			418	421	139.90	294.00
			422	426	140.90	296.00
			427	431	141.90	298.00
			432	436	142.90	300.00
			437	440	143.90	301.60
			441	445	144.90	303.60
			446	450	145.90	305.60
			451	454	146.90	307.20
			455	459	147.90	309.20
			460	464	148.90	311.20
			465	466	149.90	312.00"

1 (b) Section 215 (c) of such Act is amended to read
 2 as follows:
 3 "Primary Insurance Amount Under 1958 Act, as Modified
 4 "(c) (1) For the purposes of column II of the table
 5 appearing in subsection (a) of this section, an individual's
 6 primary insurance amount shall be computed as provided in,
 7 and subject to the limitations specified in, (A) this section
 8 as in effect prior to the enactment of the Social Security
 9 Amendments of 1965, and (B) the applicable provisions
 10 of the Social Security Amendments of 1960.

1 “(2) The provisions of this subsection shall be appli-
2 cable only in the case of an individual who became entitled
3 to benefits under section 202 (a) or section 223 before the
4 date of enactment of the Social Security Amendments of
5 1965 or who died after December 1964 and before such
6 date.”

7 (c) Section 203 (a) of such Act is amended by strik-
8 ing out paragraphs (2) and (3) and inserting in lieu thereof
9 the following:

10 “(2) when two or more persons were entitled
11 (without the application of section 202 (j) (1) and sec-
12 tion 223 (b)) to monthly benefits under section 202 or
13 223 for any month which begins after December 1964
14 and before the enactment of the Social Security Amend-
15 ments of 1965, on the basis of the wages and self-
16 employment income of such insured individual, such
17 total of benefits for any month occurring after December
18 1964 shall not be reduced to less than the larger of—

19 “(A) the amount determined under this sub-
20 section without regard to this paragraph, or

21 “(B) (i) with respect to the month in which
22 such Amendments are enacted or any prior month,
23 an amount equal to the sum of the amounts derived
24 by multiplying the benefit amount determined under
25 this title (including this subsection, but without the

1 application of section 222 (b), section 202 (q), and
2 subsections (b), (c), and (d) of this section), as in
3 effect prior to the enactment of such Amendments,
4 for each such person, for such month, by 107
5 percent and raising each such increased amount, if
6 it is not a multiple of \$0.10, to the next higher
7 multiple of \$0.10, and

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

20 but in any such case (I) paragraph (1) of this sub-
21 section shall not be applied to such total of benefits after
22 the application of subparagraph (B) of this paragraph.
23 and (II) if section 202 (k) (2) (A) was applicable in
24 the case of any of such benefits for any such month
25 beginning before the enactment of the Social Security

1 Amendments of 1965, and ceases to apply after such
2 month, the provisions of subparagraph (B) shall be
3 applied, for and after the month in which such section
4 202 (k) (2) (A) ceases to apply, as though paragraph
5 (1) had not been applicable to such total of benefits for
6 such month beginning prior to such enactment.”

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

13 (e) If an individual is entitled to a disability insurance
14 benefit under section 223 of the Social Security Act for De-
15 cember 1964 on the basis of an application filed after enact-
16 ment of this Act and is entitled to old-age insurance benefits
17 under section 202 (a) of such Act for January 1965, then,
18 for purposes of section 215 (a) (4) of the Social Security
19 Act (if applicable) the amount in column IV of the table
20 appearing in such section 215 (a) for such individual shall
21 be the amount in such column on the line on which in column
22 II appears his primary insurance amount (as determined
23 under section 215 (c) of such Act) instead of the amount
24 in column IV equal to his disability insurance benefit.

1 COMPUTATION AND RECOMPUTATION OF BENEFITS

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

5 “(C) For purposes of subparagraph (B), ‘computation
6 base years’ include only calendar years in the period after
7 1950 and prior to the earlier of the following years—

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

12 “(ii) the year succeeding the year in which he died.
13 Any calendar year all of which is included in a period of
14 disability shall not be included as a computation base year.”

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

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

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

24 “(C) in the case of a man who has not died, the

1 year occurring after 1960 in which he attained (or
2 would attain) age 65.”

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

5 “(4) The provisions of this subsection shall be appli-
6 cable only in the case of an individual—

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

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

12 “(C) whose primary insurance amount is required
13 to be recomputed under subsection (f) (2), as amended
14 by the Social Security Amendments of 1965;

15 except that it shall not apply to any such individual for
16 purposes of monthly benefits for months before January
17 1966.

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

22 “(A) in the case of an individual to whom the
23 provisions of this subsection are not made applicable by
24 paragraph (4), but who, on or after the date of the
25 enactment of the Social Security Amendments of 1965

1 and prior to 1966, met the requirements of this para-
2 graph or paragraph (4), as in effect prior to such enact-
3 ment, and

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

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

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

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

23 (d) (1) Paragraph (2) of section 215 (f) of such Act
24 is amended to read as follows:

25 “(2) With respect to each year—

1 “(A) which begins after December 31, 1964, and

2 “(B) for any part of which an individual is en-
3 titled to old-age insurance benefits,

4 the Secretary shall, at such time or times and within such
5 period as he may by regulations prescribe, recompute the
6 primary insurance amount of such individual. Such recom-
7 putation shall be made—

8 “(C) as provided in subsection (a) (1) and (3)
9 if such year is either the year in which he became en-
10 titled to such old-age insurance benefits or the year
11 preceding such year, or

12 “(D) as provided in subsection (a) (1) in any
13 other case;

14 and in all cases such recomputation shall be made as though
15 the year with respect to which such recomputation is made
16 is the last year of the period specified in paragraph (2) (C)
17 of subsection (b). A recomputation under this paragraph
18 with respect to any year shall be effective—

19 “(E) in the case of an individual who did not die
20 in such year, for monthly benefits beginning with bene-
21 fits for January of the following year; or

22 “(F) in the case of an individual who died in such
23 year (including any individual whose increase in his
24 primary insurance amount is attributable to compensa-
25 tion which, upon his death, is treated as remuneration

1 for employment under section 205 (o)), for monthly
2 benefits beginning with benefits for the month in which
3 he died.”

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

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

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

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

21 (2) Any individual who would, upon filing an applica-
22 tion prior to January 2, 1966, be entitled to a recomputation
23 of his benefit amount for purposes of title II of the Social
24 Security Act shall be deemed to have filed such application
25 on the earliest date on which such application could have

1 been filed, or on the day on which this Act is enacted, which-
2 ever is the later.

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

9 (4) In the case of a man who attains age 65 prior to
10 1966, or dies before such year, the provisions of section
11 215 (f) (7) of the Social Security Act as in effect before the
12 enactment of this Act shall apply.

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

17 (6) Section 303 (g) (1) of the Social Security Amend-
18 ments of 1960 is amended—

19 (A) by striking out “notwithstanding the amend-
20 ments made by the preceding subsections of this sec-
21 tion,” in the first sentence and inserting in lieu thereof
22 “notwithstanding the amendments made by the preced-
23 ing subsections of this section, or the amendments made
24 by section 204 of the Social Security Amendments of
25 1965,”; and

1 (B) by striking out "Social Security Amendments
2 of 1960," in the second sentence and inserting in lieu
3 thereof "Social Security Amendments of 1960, or (if
4 such individual becomes entitled to old-age insurance
5 benefits after 1965, or dies after 1965 without becoming
6 so entitled) as amended by the Social Security Amend-
7 ments of 1965,".

8 IMPROVEMENT OF ACTUARIAL STATUS OF DISABILITY

9 INSURANCE TRUST FUND

10 SEC. 203. (a) Section 201 (b) (1) of the Social Se-
11 curity Act is amended by inserting "and before January 1,
12 1966," after "December 31, 1956," and by inserting after
13 "1954," the following: "and 0.67 of 1 per centum of such
14 wages paid after December 31, 1965, and so reported,".

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

20 COVERAGE FOR DOCTORS OF MEDICINE

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

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

1 (2) Section 211 (c) of such Act is further amended by
2 striking out the last two sentences and inserting in lieu
3 thereof the following: "The provisions of paragraph (4) or
4 (5) shall not apply to service (other than service performed
5 by a member of a religious order who has taken a vow of
6 poverty as a member of such order) performed by an in-
7 dividual during the period for which a certificate filed by
8 him under section 1402 (e) of the Internal Revenue Code of
9 1954 is in effect."

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

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

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

19 “(5) the performance of service by an individual
20 in the exercise of his profession as a Christian Science
21 practitioner.”

22 (2) Section 1402 (c) of such Code is further amended
23 by striking out the last two sentences and inserting in lieu
24 thereof the following: "The provisions of paragraph (4) or
25 (5) shall not apply to service (other than service performed

1 by a member of a religious order who has taken a vow of
2 poverty as a member of such order) performed by an in-
3 dividual during the period for which a certificate filed by
4 him under subsection (e) is in effect.”

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

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

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

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

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

10

COVERAGE OF TIPS

11 SEC. 205. (a) (1) Section 209 of the Social Security
12 Act is amended by striking out "or" at the end of subsec-
13 tion (j). by striking out the period at the end of subsection
14 (k) and inserting in lieu thereof "; or", and by adding im-
15 mediately after subsection (k) the following new subsection:

16 “(1) (1) Tips paid in any medium other than cash;
17 “(2) Cash tips received by an employee in any calen-
18 dar month in the course of his employment by an employer
19 unless the amount of such cash tips is \$20 or more.”

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

22 “For purposes of this title, tips received by an employee
23 in the course of his employment, on his own behalf and not on
24 behalf of another person, shall be considered remuneration
25 for employment, whether such tips are received by the em-

1 ployee directly from a person other than his employer or
2 are paid over to the employee by his employer. Such tips
3 shall be deemed to be paid to the employee by the employer,
4 and shall be deemed to be so paid at the time a written
5 statement including such tips is furnished to the employer
6 pursuant to section 6053 of the Internal Revenue Code of
7 1954 or (if no statement including such tips is so furnished)
8 at the close of the 10th day following the calendar month
9 in which they were received.”

10 (b) (1) Section 3102 of the Internal Revenue Code
11 of 1954 (relating to deduction of tax from wages) is amended
12 by adding at the end thereof the following new subsection:

13 “(c) SPECIAL RULE FOR TIPS.—In the case of tips
14 which constitute wages, subsection (a) shall be applicable
15 only to such tips as are included in a written statement fur-
16 nished to the employer pursuant to section 6053, and only
17 to the extent that collection can be made by the employer,
18 at or after the time such statement is so furnished and before
19 the close of the 10th day following the calendar month in
20 which the tips were received, by deducting the amount of the
21 tax from such wages of the employee (exclusive of tips,
22 but including funds turned over by the employee to the em-
23 ployer for the purpose of such deduction) as are under control
24 of the employer.”

25 (2) Section 3121 (a) of such Code (relating to the

1 definition of wages under the Federal Insurance Contribu-
2 tions Act) is amended by striking out "or" at the end of
3 paragraph (10), by striking out the period at the end of para-
4 graph (11) and inserting in lieu thereof "; or", and by
5 adding after paragraph (11) the following new paragraph:

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

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

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

14 " (q) TIPS.—Tips received by an employee in the course
15 of his employment, on his own behalf and not on behalf of
16 another person, shall be considered remuneration for em-
17 ployment, whether such tips are received by the employee
18 directly from a person other than his employer or are paid
19 over to the employee by his employer. Such tips shall be
20 deemed to be paid to the employee by the employer, and
21 shall be deemed to be so paid at the time a written state-
22 ment including such tips is furnished to the employer pur-
23 suant to section 6053 or (if no statement including such
24 tips is so furnished) at the close of the 10th day following
25 the calendar month in which they were received."

1 (c) (1) Section 6051 (a) of such Code (relating to
2 receipts for employees) is amended by adding at the end
3 thereof the following new sentence: "In the case of tips
4 received by an employee in the course of his employment,
5 the amounts required to be shown by paragraph (5) shall
6 include only such tips as are reported by the employee to
7 the employer pursuant to section 6053; and the amounts
8 required to be shown by paragraph (3) shall include only
9 such tips as are reported by the employee to the employer
10 pursuant to such section (other than the second sentence
11 thereof)."

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

16 **"SEC. 6053. REPORTING OF TIPS.**

17 "Every employee, who in the course of his employment
18 by an employer, receives in any calendar month tips which
19 are wages as defined in section 3121 (a) shall report all
20 such tips in one or more written statements furnished to his
21 employer. For purposes of sections 3111, 6051 (a), and
22 6652 (c), tips received in any calendar month shall be con-
23 sidered reported pursuant to this section only if they are
24 included in such a statement furnished to the employer on

1 or before the 10th day following such month and only to
2 the extent that the tax imposed with respect to such tips
3 by section 3101 can be collected by the employer under
4 section 3102. Such statement shall be furnished by the
5 employee under such regulations, at such other times before
6 such 10th day, and in such form and manner, as may be
7 prescribed by the Secretary or his delegate.”

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

“Sec. 6053. Reporting of tips.”

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

14 “(c) FAILURE TO REPORT TIPS.—In the case of tips
15 to which section 3121 (a) and the first sentence of section
16 6053 are applicable, if the employee fails to report any of
17 such tips to the employer pursuant to such section, unless it
18 is shown that such failure is due to reasonable cause and not
19 due to willful neglect, there shall be paid by the employee,
20 in addition to the tax imposed by section 3101 with respect
21 to the amount of the tips which he so failed to report, an
22 amount equal to such tax.”

23 (d) Section 3111 of such Code (relating to rate of tax
24 on employers under the Federal Insurance Contributions

1 Act), as amended by section 213 of this Act, is amended
2 by adding at the end thereof (after and below paragraph
3 (4)) the following new sentence: "In the case of tips
4 which constitute wages, the tax imposed by this section
5 shall be applicable only to such tips as are reported by the
6 employee to the taxpayer pursuant to section 6053."

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

19 (f) (1) Section 3401 of such Code (relating to defini-
20 tions for purposes of collecting income tax at source on
21 wages) is amended by adding at the end thereof the follow-
22 ing new subsection:

23 "(f) TIPS.—For purposes of subsection (a) the term
24 'wages' includes tips received by an employee in the course
25 of his employment, on his own behalf and not on behalf of

1 another person, whether such tips are received by the em-
2 ployee directly from a person other than his employer or are
3 paid over to the employee by his employer. Such tips shall
4 be deemed to be paid to the employee by the employer; and
5 any amount of such tips received by an employee in a calen-
6 dar month other than December, which is included in a state-
7 ment furnished to the employer pursuant to section 6053
8 (a), shall be deemed to be so paid at the time the state-
9 ment is so furnished.”

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

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

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

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

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

3 “(k) TIPS.—In the case of tips which constitute wages,
4 subsection (a) shall be applicable only to such tips as are
5 included in a written statement furnished to the employer
6 pursuant to section 6053 (a), and only to the extent that
7 the tax can be deducted and withheld by the employer, at
8 or after the time such statement is so furnished and before
9 the close of the calendar year in which the employee re-
10 ceives the tips which are included in such statement, from
11 such wages of the employee (exclusive of tips, but including
12 funds turned over by the employee to the employer for the
13 purpose of such deduction and withholding) as are under the
14 control of the employer. Such tax shall not at any time be
15 deducted and withheld in an amount which exceeds the ag-
16 gregate of such wages and funds minus any tax required by
17 section 3102 (a) to be collected from such wages.”

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

20 REIMBURSEMENT OF TRUST FUNDS FOR COST OF NONCON-

21 TRIBUTORY MILITARY SERVICE CREDITS

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

24 “(g) (1) In September 1965, and in every fifth Sep-

1 tember thereafter up to and including September 2010, the
2 Secretary shall determine the amount which, if paid in equal
3 installments at the beginning of each fiscal year in the period
4 beginning—

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

7 “(B) with the July 1 following the determination
8 in the case of all other such determinations,

9 and ending with the close of June 30, 2015, would accumu-
10 late, with interest compounded annually, to an amount equal
11 to the amount needed to place each of the Trust Funds in the
12 same position at the close of June 30, 2015, as he estimates
13 they would otherwise be in at the close of that date if section
14 210 of this Act, as in effect prior to the Social Security Act
15 Amendments of 1950, and section 217 of this Act had not
16 been enacted. The rate of interest to be used in determining
17 such amount shall be the rate determined under section 201
18 (d) for public-debt obligations which were or could have
19 been issued for purchase by the Trust Funds in the June
20 preceding the September in which such determination is
21 made.

22 “(2) There are authorized to be appropriated to the
23 Trust Funds—

1 “(A) for the fiscal year ending June 30, 1966,
2 an amount equal to the amount determined under para-
3 graph (1) in September 1965, and

4 “(B) for each fiscal year in the period beginning
5 with July 1, 1966, and ending with the close of June 30,
6 2015, an amount equal to the annual installment for
7 such fiscal year under the most recent determination
8 under paragraph (1) which precedes such fiscal year.

9 “(3) For the fiscal year ending June 30, 2016, there
10 is authorized to be appropriated to the Trust Funds (or the
11 amount appropriated to the Trust Funds under section 201
12 for that year shall be reduced by, as the case may be) such
13 sums as the Secretary determines would place the Trust
14 Funds in the same position in which they would have been
15 at the close of June 30, 2015, if section 210 of this Act
16 as in effect prior to the Social Security Act Amendments of
17 1950, and section 217 of this Act, had not been enacted.

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

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 "1967".

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 "(l)" im-
18 mediately 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

1 31, 1959, was or is employed by such State (or any politi-
2 cal subdivision thereof) in any position described in para-
3 graph (1). Such modification shall be effective with re-
4 spect to (A) all services performed by such individual in
5 any such position on or after January 1, 1962, and (B)
6 all such services, performed before such date, with respect
7 to which amounts equivalent to the sum of the taxes which
8 would have been imposed by sections 3101 and 3111 of
9 the Internal Revenue Code of 1954 if such services had
10 constituted employment for purposes of chapter 21 of such
11 Code at the time they were performed have, prior to the
12 date of the enactment of this paragraph, been paid.”

13 INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX
14 PURPOSES

15 SEC. 201. (a) (1) (A) Section 209(a) (3) of the
16 Social Security Act is amended by inserting “and before
17 1966” after “1958”.

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

20 “(4) That part of remuneration which, after remu-
21 neration (other than remuneration referred to in the
22 succeeding subsections of this section) equal to \$5,600
23 with respect to employment has been paid to an indi-
24 vidual during any calendar year after 1965, is paid to
25 such individual during such calendar year;”.

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

4 (B) Section 211 (b) (1) of such Act is further amended
5 by adding at the end thereof the following new subpara-
6 graph:

7 " (D) For any taxable year ending after 1965, (i)
8 \$5,600, minus (ii) the amount of the wages paid to
9 such individual during the taxable year; or".

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

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

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

24 (b) (1) (A) Section 1402 (b) (1) (C) of the Internal
25 Revenue Code of 1954 (relating to definition of self-employ-

1 ment income) is amended by inserting "and before 1966"
2 after "1958", and by striking out "; or" and inserting in
3 lieu thereof "; and".

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

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

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

13 (3) The second sentence of section 3122 of such Code
14 (relating to Federal service) is amended by striking out
15 "\$4,800" and inserting in lieu thereof "\$5,600".

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

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

23 (A) by inserting "and prior to the calendar year
24 1966" after "the calendar year 1958";

25 (B) by inserting after "exceed \$4,800," the follow-

1 ing: "or (C) during any calendar year after the calen-
2 dar year 1965, the wages received by him during such
3 year exceed \$5,600," and

4 (C) by inserting before the period at the end there-
5 of the following: "and before 1966, or which exceeds
6 the tax with respect to the first \$5,600 of such wages
7 received in such calendar year after 1965".

8 (6) Section 6413 (c) (2) (A) of such Code (relating
9 to refunds of employment taxes in the case of Federal em-
10 ployees) is amended by striking out "or \$4,800 for any
11 calendar year after 1958" and inserting in lieu thereof
12 "\$4,800 for the calendar year 1959, 1960, 1961, 1962,
13 1963, 1964, or 1965, or \$5,600 for any calendar year after
14 1965".

15 (c) The amendments made by subsections (a) (1) and
16 (a) (3) (A), and the amendments made by subsection (b)
17 (except paragraph (1) thereof), shall apply only with re-
18 spect to remuneration paid after December 1965. The
19 amendments made by subsections (a) (2), (a) (3) (B),
20 and (b) (1) shall apply only with respect to taxable years
21 ending after 1965. The amendment made by subsection (a)
22 (4) shall apply only with respect to calendar years after
23 1965.

24

CHANGES IN TAX SCHEDULES

25 SEC. 211. (a) Section 1401 of the Internal Revenue

1 Code of 1954 (relating to rate of tax on self-employment
2 income) is amended to read as follows:

3 **"SEC. 1401. RATE OF TAX.**

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

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

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

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

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

22 **"SEC. 3101. RATE OF TAX.**

23 "In addition to other taxes, there is hereby imposed on
24 the income of every individual a tax equal to the following
25 percentages of the wages (as defined in section 3121 (a))

1 received by him with respect to employment (as defined in
2 section 3121 (b)) —

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

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

9 “(3) with respect to wages received after Decem-
10 ber 31, 1970, the rate shall be 5.2 percent.”

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

14 **“SEC. 3111. RATE OF TAX.**

15 “In addition to other taxes, there is hereby imposed
16 on every employer an excise tax, with respect to having in-
17 dividuals in his employ, equal to the following percentages
18 of the wages (as defined in section 3121 (a)) paid by him
19 with respect to employment (as defined in section
20 3121 (b)) —

21 “(1) with respect to wages paid during the calen-
22 dar years 1966 and 1967, the rate shall be 4.25 percent;

23 “(2) with respect to wages paid during the calen-
24 dar years 1968, 1969, and 1970, the rate shall be 5 per-
25 cent; and

1 “(3) with respect to wages paid after December
2 31, 1970, the rate shall be 5.2 percent.”

3 (d) The amendment made by subsection (a) shall
4 apply only with respect to taxable years beginning after De-
5 cember 31, 1965. The amendments made by subsections
6 (b) and (c) shall apply only with respect to remuneration
7 paid after December 31, 1965.

8 AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAIL-
9 ROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DIS-
10 ABILITY INSURANCE SYSTEMS

11 SEC. 212. (a) Section 1 (q) of the Railroad Retire-
12 ment Act of 1937 is amended by striking out “1961” and
13 inserting in lieu thereof “1965”.

14 (b) Section 5 (1) (9) of such Act is amended by strik-
15 ing out “after 1958 is less than \$4,800” and inserting in lieu
16 thereof the following: “after 1958 and before 1966 is less
17 than \$4,800, or for any calendar year after 1965 is less than
18 \$5,600”; and by striking out “and \$4,800 for years after
19 1958”, and inserting in lieu thereof the following: “\$4,800
20 for years after 1958 and before 1966, and \$5,600 for years
21 after 1965”.

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

24 SEC. 213. (a) Subsection (p) of section 202 of the
25 Social Security Act is amended to read as follows:

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

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

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

11 "(2) to file, in the case of a death after 1946,
12 application for a lump-sum death payment under sub-
13 section (i), or under subsection (g) of this section as
14 in effect prior to the Social Security Act Amendments
15 of 1950, within the period prescribed by such subsection,
16 any such proof or application, as the case may be, which is
17 filed after the expiration of such period shall be deemed to
18 have been filed within such period if it is shown to the satis-
19 faction of the Secretary that there was good cause for failure
20 to file such proof or application within such period. The
21 determination of what constitutes good cause for purposes
22 of this subsection shall be made in accordance with regula-
23 tions of the Secretary."

24 (b) The amendments made by this section shall be
25 effective with respect to (1) applications for lump-sum death

1 payments filed in or after the month in which this Act is
2 enacted, and (2) monthly benefits based on applications
3 filed in or after such month.

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

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

10 TITLE III—PUBLIC ASSISTANCE AMENDMENTS

11 SHORT TITLE

12 SEC. 300. This title may be cited as the "Public Assist-
13 ance Amendments of 1965".

14 REMOVAL OF LIMITATIONS ON FEDERAL PARTICIPATION IN
15 ASSISTANCE TO AGED INDIVIDUALS WITH TUBERCULO-
16 SIS OR MENTAL DISEASE; PROTECTIVE PAYMENTS

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

19 "(a) For the purposes of this title, the term 'old-age
20 assistance' means money payments to, or (if provided in
21 or after the third month before the month in which the
22 recipient makes application for assistance) medical care in
23 behalf of or any type of remedial care recognized under State
24 law in behalf of, needy individuals who are 65 years of

1 age or older, but does not include any such payments to
2 or care in behalf of any individual who is an inmate of a
3 public institution (except as a patient in a medical institu-
4 tion). Such term also includes payments which are not
5 included within the meaning of such term under the pre-
6 ceding sentence, but which would be so included except that
7 they are made on behalf of such a needy individual to
8 another individual who (as determined in accordance with
9 standards prescribed by the Secretary) is interested in or
10 concerned with the welfare of such needy individual, but
11 only with respect to a State whose State plan approved
12 under section 2 includes provision for—

13 “(1) determination by the State agency that such
14 needy individual has, by reason of his physical or
15 mental condition, such inability to manage funds that
16 making payments to him would be contrary to his wel-
17 fare and, therefore, it is necessary to provide such
18 assistance through payments described in this sentence;

19 “(2) making such payments only in cases in which
20 such payments will, under the rules otherwise applicable
21 under the State plan for determining need and the
22 amount of old-age assistance to be paid (and in con-
23 junction with other income and resources), meet all the
24 need of the individuals with respect to whom such pay-
25 ments are made;

1 “(3) undertaking and continuing special efforts to
2 protect the welfare of such individual and to improve,
3 to the extent possible, his capacity for self-care and to
4 manage funds;

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

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

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

22 (3) Section 2 (a) of such Act is amended (A) by
23 striking out “and” at the end of paragraph (10); (B) by
24 striking out the period at the end of paragraph (11) and

1 inserting in lieu thereof a semicolon; and (C) by adding at
2 the end thereof the following new paragraphs:

3 “(12) if the State plan includes assistance to or in
4 behalf of patients who are in institutions for tuberculosis
5 or mental diseases, or who are in medical institutions for
6 more than 42 days as a result of a diagnosis of tubercu-
7 losis or psychosis—

8 “(A) provide for having in effect such agree-
9 ments or other arrangements with State authorities
10 concerned with mental diseases or tuberculosis (as
11 the case may be), and, where appropriate, with
12 such institutions, as may be necessary for carrying
13 out the State plan, including arrangements for joint
14 planning and for development of alternate methods
15 of care, arrangements providing assurance of im-
16 mediate readmittance to institutions where needed
17 for individuals under alternate plans of care, and
18 arrangements providing for access to patients and
19 facilities, for furnishing information, and for making
20 reports;

21 “(B) provide for an individual plan for each
22 such patient to assure that the institutional care
23 provided to him is in his best interests, including,
24 to that end, assurances that there will be initial
25 and periodic review of his medical and other needs,

1 that he will be given appropriate medical treat-
2 ment within the institution, and that there will be a
3 periodic determination of his need for continued
4 treatment in the institution;

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

17 “(D) provide methods of determining the rea-
18 sonable cost of institutional care for such patients;
19 and

20 “(13) if the State plan includes assistance to or
21 in behalf of patients in public institutions for mental
22 diseases, show that the State is making satisfactory
23 progress toward developing and implementing a com-
24 prehensive mental health program, including provision
25 for utilization of community mental health centers, nurs-

1 ing homes, and other alternatives to care in public in-
2 stitutions for mental diseases.”

3 (4) Section 3 of such Act is amended by adding at
4 the end thereof (after the new subsection (d) added by
5 section 217 of this Act) the following new subsection:

6 “(e) Notwithstanding the preceding provisions of this
7 section, the amount determined under such provisions for
8 any State for any quarter which is attributable to expendi-
9 tures with respect to patients in institutions for tuberculosis
10 or mental diseases shall be paid only to the extent that
11 the State makes a showing satisfactory to the Secretary that
12 it has increased total expenditures from Federal, State, and
13 local sources for mental health services (including payments
14 to or in behalf of individuals with mental health problems)
15 under State and local public health and public welfare pro-
16 grams for such quarter over the average of the total ex-
17 penditures from such sources for such services under such
18 programs for each quarter of the fiscal year ending June 30,
19 1965. For purposes of this subsection, expenditures for
20 such services for each quarter in the fiscal year ending June
21 30, 1965, in the case of any State shall be determined on
22 the basis of the latest data, satisfactory to the Secretary,
23 available to him at the time of the first determination by
24 him under this section for such State; and expenditures for
25 such services for any quarter thereafter in the case of any

1 State shall be determined on the basis of the latest data,
2 satisfactory to the Secretary, available to him at the time
3 of the determination under this section for such State for
4 such quarter; and determinations so made shall be conclusive
5 for purposes of this subsection.”

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

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

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

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

25 “(1) in the case of any individual, any such pay-

1 ments to or care in behalf of any individual who is an
2 inmate of a public institution (except as a patient in a
3 medical institution) ; or

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

8 Such term also includes payments which are not included
9 within the meaning of such term under the preceding sen-
10 tence, but which would be so included except that they are
11 made on behalf of such a needy individual to another in-
12 dividual who (as determined in accordance with standards
13 prescribed by the Secretary) is interested in or concerned
14 with the welfare of such needy individual, but only with re-
15 spect to a State whose State plan approved under section
16 1602 includes provision for—

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

23 “(ii) making such payments only in cases in which
24 such payments will, under the rules otherwise applicable
25 under the State plan for determining need and the

1 amount of aid to the aged, blind, or disabled to be paid
2 (and in conjunction with other income and resources),
3 meet all the need of the individuals with respect to
4 whom such payments are made;

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

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

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

20 (2) Section 1605 (b) of such Act is amended by strik-
21 ing out all that follows clause (12), and inserting in lieu
22 thereof the following: “except that such term does not in-
23 clude any such payments with respect to care or services for
24 any individual who is an inmate of a public institution (ex-
25 cept as a patient in a medical institution).”

1 (3) Section 1602 (a) of such Act is amended (A) by
2 striking out "and" at the end of paragraph (14); (B) by
3 striking out the period at the end of paragraph (15) and
4 inserting in lieu thereof a semicolon; and (C) by adding
5 after paragraph (15) the following new paragraphs:

6 “(16) if the State plan includes aid or assistance
7 to or in behalf of individuals 65 years of age or older who
8 are patients in institutions for tuberculosis or mental
9 diseases, or to individuals who are patients in medical
10 institutions for more than 42 days as a result of a diag-
11 nosis of tuberculosis or psychosis—

12 “(A) provide for having in effect such agree-
13 ments or other arrangements with State authorities
14 concerned with mental diseases or tuberculosis (as
15 the case may be), and, where appropriate, with such
16 institutions, as may be necessary for carrying out
17 the State plan, including arrangements for joint
18 planning and for development of alternate methods
19 of care, arrangements providing assurance of im-
20 mediate readmittance to institutions where needed
21 for individuals under alternate plans of care, and
22 arrangements providing for access to patients and
23 facilities, for furnishing information, and for making
24 reports;

25 “(B) provide for an individual plan for each

1 such patient to assure that the institutional care pro-
2 vided to him is in his best interests, including, to
3 that end, assurances that there will be initial and
4 periodic review of his medical and other needs, that
5 he will be given appropriate medical treatment
6 within the institution, and that there will be a
7 periodic determination of his need for continued
8 treatment in the institution;

9 “(C) provide for the development of alternate
10 plans of care, making maximum utilization of avail-
11 able resources, for recipients 65 years of age or older
12 who would otherwise need care in such institutions,
13 including appropriate medical treatment and other
14 aid or assistance; for services referred to in section
15 1603 (a) (4) (A) (i) and (ii) which are appro-
16 priate for such recipients and for such patients; and
17 for methods of administration necessary to assure
18 that the responsibilities of the State agency under
19 the State plan with respect to such recipients and
20 such patients^c will be effectively carried out; and

21 “(D) provide methods of determining the rea-
22 sonable cost of institutional care for such patients;
23 and

24 “(17) if the State plan includes aid or assistance to
25 or in behalf of individuals 65 years of age or older who

1 are patients in public institutions for mental diseases,
2 show that the State is making satisfactory progress
3 toward developing and implementing a comprehensive
4 mental health program, including provision for utiliza-
5 tion of community mental health centers, nursing homes,
6 and other alternatives to care in public institutions for
7 mental diseases.”

8 (4) Section 1603 of such Act is amended by adding at
9 the end thereof (after the new subsection (d) added by sec-
10 tion 217 of this Act) the following new subsection:

11 “(e) Notwithstanding the preceding provisions of this
12 section, the amount determined under such provisions for any
13 State for any quarter which is attributable to expenditures
14 with respect to individuals 65 years of age or older who are
15 patients in institutions for tuberculosis or mental diseases
16 shall be paid only to the extent that the State makes a show-
17 ing satisfactory to the Secretary that it has increased total
18 expenditures from Federal, State, and local sources for mental
19 health services (including payments to or in behalf of indi-
20 viduals with mental health problems) under State and local
21 public health and public welfare programs for such quarter
22 over the average of the total expenditures from such sources
23 for such services under such programs for each quarter of
24 the fiscal year ending June 30, 1965. For purposes of this
25 subsection, expenditures for such services for each quarter in

1 the fiscal year ending June 30, 1965, in the case of any State
2 shall be determined on the basis of the latest data, satisfac-
3 tory to the Secretary, available to him at the time of the first
4 determination by him under this section for such State; and
5 expenditures for such services for any quarter thereafter in
6 the case of any State shall be determined on the basis of the
7 latest data, satisfactory to the Secretary, available to him at
8 the time of the determination under this section for such
9 State for such quarter; and determinations so made shall be
10 conclusive for purposes of this subsection."

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

15 INCREASED FEDERAL PAYMENTS UNDER PUBLIC ASSIST-
16 ANCE TITLES OF THE SOCIAL SECURITY ACT

17 SEC. 302. (a) Section 3 (a) (1) of the Social Security
18 Act is amended (1) by striking out, in so much thereof as
19 precedes clause (A), "during such quarter" and inserting in
20 lieu thereof "during each month of such quarter"; (2) by
21 striking out, in clause (A), "29/35", "any month", and
22 "\$35" and inserting in lieu thereof "31/37", "such month",
23 and "\$37", respectively; and (3) by striking out clauses
24 (B) and (C) and inserting in lieu thereof the following:

25 " (B) the larger of the following:

1 “(i) (I) the Federal percentage (as de-
2 fined in section 1101 (a) (8)) of the amount
3 by which such expenditures exceed the amount
4 which may be counted under clause (A), not
5 counting so much of such excess with respect to
6 any month as exceeds the product of \$38 multi-
7 plied by the total number of recipients of old-
8 age assistance for such month, plus (II) 15 per
9 centum of the total of the sums expended dur-
10 ing such month as old-age assistance under the
11 State plan in the form of medical or any other
12 type of remedial care, not counting so much of
13 any such expenditure with respect to such
14 month as exceeds the product of \$15 multiplied
15 by the total number of recipients of old-age
16 assistance for such month, or

17 “(ii) (I) the Federal medical percentage
18 (as defined in section 6 (c)) of the amount by
19 which such expenditures exceed the maximum
20 which may be counted under clause (A), not
21 counting so much of any expenditures with re-
22 spect to such month as exceeds (a) the product
23 of \$52 multiplied by the total number of such
24 recipients of old-age assistance for such month,
25 or (b) if smaller, the total expended as old-age

1 assistance in the form of medical or any other
2 type of remedial care with respect to such
3 month plus the product of \$37 multiplied by
4 such total number of such recipients, plus (II)
5 the Federal percentage of the amount by which
6 the total of the sums expended during such
7 month as old-age assistance under the State
8 plan exceed the amount which may be counted
9 under clause (A) and the preceding provisions
10 of this clause (B) (ii), not counting so much
11 of such excess with respect to such month as
12 exceeds the product of \$38 multiplied by the
13 total number of such recipients of old-age as-
14 sistance for such month;”.

15 (b) Section 1603 (a) (1) of such Act is amended (1)
16 by striking out, in so much thereof as precedes clause (A),
17 “during such quarter” and inserting in lieu thereof “during
18 each month of such quarter”; (2) by striking out, in clause
19 (A), “29/35”, “any month”, and “\$35” and inserting in
20 lieu thereof “31/37”, “such month”, and “\$37”, respec-
21 tively; and (3) by striking out clauses (B) and (C) and
22 inserting in lieu thereof the following:

23 “(B) the larger of the following:

24 “(i) (I) the Federal percentage (as de-
25 fined in section 1101 (a) (8)) of the amount

1 by which such expenditures exceed the amount
2 which may be counted under clause (A), not
3 counting so much of such excess with respect to
4 any month as exceeds the product of \$38 multi-
5 plied by the total number of recipients of aid to
6 the aged, blind, or disabled for such months,
7 plus (II) 15 per centum of the total of the
8 sums expended during such month as aid to the
9 aged, blind, or disabled under the State plan in
10 the form of medical or any other type of re-
11 medial care, not counting so much of any such
12 expenditure with respect to such month as
13 exceeds the product of \$15 multiplied by the
14 total number of recipients of aid to the aged,
15 blind, or disabled for such month, or

16 “(ii) (I) the Federal medical percentage
17 (as defined in section 6(c)) of the amount by
18 which such expenditures exceed the maximum
19 which may be counted under clause (A), not
20 counting so much of any expenditures with re-
21 spect to such month as exceeds (a) the product
22 of \$52 multiplied by the total number of such
23 recipients of aid to the aged, blind, or disabled
24 for such month, or (b) if smaller, the total
25 expended as aid to the aged, blind, or disabled

1 in the form of medical or any other type of
2 remedial care with respect to such month plus
3 the product of \$37 multiplied by such total num-
4 ber of such recipients, plus (II) the Federal
5 percentage of the amount by which the total
6 sums expended during such month as aid to the
7 aged, blind, or disabled under the State plan
8 exceed the amount which may be counted under
9 clause (A) and the preceding provisions of this
10 clause (B) (ii), not counting so much of such
11 excess with respect to such month as exceeds
12 the product of \$38 multiplied by the total num-
13 ber of recipients of aid to the aged, blind, or
14 disabled for such month;”.

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

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

1 (e) Section 1403 (a) (1) of such Act is amended (1)
2 by striking out, in clause (A), "29/35" and "\$35" and
3 inserting in lieu thereof "31/37" and "\$37", respectively;
4 and (2) by striking out, in clause (B), "\$70" and inserting
5 in lieu thereof "\$75".

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

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

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

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

23 For purposes of this subsection, expenditures under the
24 State plan of any State approved under this title, and the
25 payment determined with respect thereto under this section,

1 shall be determined on the basis of data furnished by the
2 State in the quarterly reports submitted by the State to the
3 Secretary pursuant to and in accord with the requirements
4 of the Secretary under this title; and determinations so
5 made shall be conclusive for purposes of this subsection.”

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

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

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

22 (b) Effective January 1, 1966, section 1602 (a) (14)
23 of such Act is amended by striking out “of the first \$50 per
24 month of earned income the State agency may, after Decem-
25 ber 31, 1962, disregard not more than the first \$10 thereof

1 plus one-half of the remainder” and inserting in lieu thereof
2 “of the first \$80 per month of earned income the State
3 agency may disregard not more than the first \$20 thereof
4 plus one-half of the remainder”.

5 AMENDMENT TO DEFINITION OF MEDICAL ASSISTANCE FOR
6 THE AGED

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

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

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

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.

By Mr. ANDERSON, Mr. GOBE, Mr. JAVINS, Mr. MCNAMARA, Mr. BARTLETT, Mr. BAYH, Mr. BIBLE, Mr. BREWSTER, Mr. BURDICK, Mr. CASE, Mr. CHURCH, Mr. CLARK, Mr. DODD, Mr. DOUGLAS, Mr. GRUENING, Mr. HARKE, Mr. INOUYE, Mr. JACKSON, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. KUHEL, Mr. LONG of Missouri, Mr. MANSFIELD, Mr. McCARTHY, Mr. MOGEE, Mr. McGOVERN, Mr. MCINTYRE, Mr. METCALF, Mr. MONDALE, Mr. MONROE, Mr. MONTGOMERY, Mr. MORSE, Mr. MOSS, Mr. MUSKIE, Mrs. NEUBERGER, Mr. PASTORE, Mr. PEIL, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RHODES, Mr. TYDINGS, Mr. WILLIAMS of New Jersey, Mr. YARBROUGH, and Mr. YOUNG of Ohio

JANUARY 6, 1965

Read twice and referred to the Committee on Finance